



# E-Credit News

Wisconsin Credit Association  
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WISCONSIN CREDIT ASSOCIATION 262.827.2880

February 2009

## In This Issue

WCA Member Updates & News

### This month's topics...

1. Nine Tips for Your Final Demand Letter
2. Personal Guarantees (For Sale)
3. Cyberrisk Insurance – A Critical Issue for Those in Credit?
4. Case Study: Large Order to a Slow Pay

Followed by  
Industry Group Meetings



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## BCMA Members

[\\*NACM Credit Services, Inc.](#)

[\\*Pennsylvania Association of Credit Management](#)

[\\*Wisconsin Credit Association](#)

## BACK BY POPULAR DEMAND AND WITH MORE CHOICES!

### ONLINE COURSES WITH SCHEDULED CHAT TIMES

This is a GREAT OPPORTUNITY for those who want the flexibility of online study yet the structure of classroom meetings, interaction, weekly projects and assignments. These 10-week courses will include an hour chat-room session each week.

- BASIC FINANCIAL ACCOUNTING COURSE
- BUSINESS CREDIT PRINCIPLES COURSE
- BUSINESS LAW COURSE
- CREDIT LAW COURSE
- FINANCIAL STATEMENT ANALYSIS I COURSE
- FINANCIAL STATEMENT ANALYSIS II COURSE
- INTERNATIONAL FINANCIAL MANAGEMENT
- INTERNATIONAL FINANCIAL STATEMENT ANALYSIS COURSE

## Giving Yourself the Competitive Advantage

Monday - February 9 ~ Neenah WI

Now is the time to make sure you secure your future through continued education and BCMA's certification process.

Join us to learn how to build a successful career through attending courses for Business Administration Credit at Northeast Wisconsin Technical College or through WCA's on line program. Additionally learn more about opportunities for career advancement through the Business Credit, Collections Accreditation and Credentialing Program.

Guest Speakers include Lori Fisher, Associate Dean from Northeast Wisconsin Technical College and Darryl Rowinski, President of Wisconsin Credit Association.

Click on the link above and send in your form to secure your spot for a great night of food, networking and information to put you on the competitive edge.



## **2008-09 Board of Directors**

### **Executive Committee:**

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### **Contact Us**

Phone: 262/827-2880

Web: [www.wcacredit.org](http://www.wcacredit.org)

Darryl Rowinski CCP, CPC X222

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Lisa Schroeter X224

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Transmission

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Recovery

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Recovery

### **ALL EMAIL ADDRESSES ARE:**

[Firstnamelastinitial@wcacredit.org](mailto:Firstnamelastinitial@wcacredit.org).

### **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@CreditToday.net](mailto:BCMAEditor@CreditToday.net) with your idea!

### **NEW ASSOCIATION MEMBER**

Rose Salata

Pentair Residential Filtration LLC

### **NEW ASSOCIATION REPRESENTATIVES**

Anita Yu

Brighton Best International

Matt Anderson

Neesvig Meats

### **NEW GROUP MEMBERS**

#### **INTERNATIONAL CREDIT EXECUTIVES GROUP (ICE)**

Kelly Jordan

Bentley World Packaging

Holly Wagner

Hellmann Worldwide Logistics

Peter Kerwin

Maine Travelift Inc

Rose Salata

Pentair Residential Filtration LLC

### **NEW GROUP REPRESENTATIVES**

#### **INTERNATIONAL CREDIT EXECUTIVES GROUP (ICE)**

Rosy Zarate

Bank of Montreal/Harris Bank

#### **HOTEL & RESTAURANT INDUSTRY CREDIT GROUP**

Matt Anderson

Neesvig Meats

#### **CENTRAL WISCONSIN FOOD SUPPLIERS INDUSTRY CREDIT GROUP**

Matt Anderson

Neesvig Meats

### **WCA MEMBERSHIP UPDATES**

Congratulations to Guy Kwaterski, The Vollrath Company LLC on becoming a grandpa, again! His son & daughter-in law gave him a bouncing baby boy! Silas Scott Kwaterski born on December 15. 8lbs 6oz. Congratulations & best of luck to all!

Congratulations to Paul Knabe, Graybar Electric Company on earning his Masters Degree in December 2008.

### **INDUSTRY CREDIT GROUPS**

- Are you having problems obtaining enough credit information to establish a viable credit line?
- Have you been surprised by a customer going out of business, or filing bankruptcy?
- Did a recent inquiry indicate that YOU ARE BEING paid slower than other suppliers are?

WCA administers local, regional, and national industry credit groups servicing a variety of industries. Industry credit groups have proven to be one of the most effective tools available to credit executives! Get connected with your industry peers to obtain access to the most updated credit information; have an opportunity to exchange payment history on mutual customers; and network with fellow group members, which allows you to establish valuable contacts within your industry.

We would like to extend an invitation to you to attend a meeting to experience first-hand what an industry credit is all about! Feel free to visit our website- [www.wcacredit.org](http://www.wcacredit.org), or contact us at the Association Office, 262.827.2880, for additional information.

## EMPLOYMENT SERVICES

You cannot turn on the news without hearing the R word - Recession. It has more power as a self-fulfilling prophecy than an actual condition. It creates uncertainty to which people & companies react.

We have seen requisitions for new staff temporarily withdrawn this year, until things become more certain. Not **spending money or committing to long-term expenses** whenever there is an opportunity is how to manage uncertainty.

While you might not be allowed to replace/add a person, you may be able to obtain approval to hire a temporary candidate. **You want** someone for 6 months but your CFO will find a **contract for 60 days more attractive** because he/she can control the expense. Our contracts often last 6-12 months or more but can start with a minimal commitment. They can run that long due to the temporary person actually being hired.

We have excellent candidates available now for full-time permanent & temporary positions throughout the state. This is where to find experienced people that are effective immediately!

Please call WCA at 262-827-2880 Ext 232.

## DON'T FORGET



Credit reports offer low-cost credit histories you can use to predict risk and make sound credit decisions quickly

Credit reports are also important when you investigate a new customer, notice a change in a customer's payment practices, receive an unusually large order, or receive a number of inquiries about a customer.

WCA offers access to these credit-reporting databases under one single, generic report subscription. We use a unit system so you do not have to commit to one database and your subscription never expires!

A variety of credit reports are available from WCA: Dun & Bradstreet, Experian Business Credit Reports, CBCInnovis Triple Merged Business Owner Consumer Credit Reports, Equifax Small Business Credit Reports, Coface International Credit Reports, Equifax Small Business Credit Reports, Trade Group Exchange (TGX), and Equifax Canadian Credit Reports.

Call **Lisa** at 262-827-2880 Ext224 for more information or questions

## POSITION YOURSELF FOR ADVANCEMENT. DO NOT FORGET THE BCMA ACCREDITATION PROGRAM.

The Business Credit Management Association offers experienced individuals, the opportunity to earn professional accreditation. A Professional Accreditation is not just mere initials that look good on a resume or business card, but are evidence that the designee has attained a high level of expertise and knowledge in the field of Credit, Collections, Accounts Receivable, and Risk Management. BCMA offers two specific accreditations and each requires its own set of demonstrated skills, experience and knowledge to earn. Credit and Collection Professionals can immediately enroll and/or obtain professional accreditation in the Business Credit & Collection field. Check out the website [creditsociety.org](http://creditsociety.org), apply for and get started today!

## COLLECTIONS

Wisconsin Credit Association offers collection and recovery services. Our purpose is to provide our WCA member companies with a quality, professional and trustworthy recovery service, to assist companies of all sizes, industries and geographical locations. Our industry expertise, state-of-the-art systems, and telecommunications, allows us to extend our service and effectiveness on a nationwide basis.

Call Wisconsin Credit Association for further information at (262) 827-2880, or e-mail us at [collection@wacredit.org](mailto:collection@wacredit.org).

**PLEASE CONTACT *CHRY* AT WCA, 262.827.2880 X221 TO REPORT MEMBER NEWS**

## 1. NINE TIPS FOR YOUR FINAL DEMAND LETTER

Have you looked at your final demand letter lately? We polled a group of savvy credit execs recently for their ideas on final demand letters, and here is a distillation of their very best ideas:

1. Make it brief. You can say how you regret taking the action, but that you will be forced to unless a check is sent within the stated time.
2. Clearly spell out your intended actions if they do not pay.
3. Require them to act within 7 to 10 days – Some credit execs allow a five-day grace period after that period.
4. Give the name of the attorney you intend to refer the case to. This tells the customer that you are not just “blowing smoke.”
5. Send invoices and/or statements along with the final demand letter.
6. Don’t use too often on the same customer. This may diminish their effectiveness.
7. Simultaneously send a letter to any guarantor of the account.
8. Make sure you follow through with the actions outlined in the letter.
9. Send them certified mail, return receipt requested, or by overnight delivery service. Either way you have a receipt proving delivery.

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## 2. PERSONAL GUARANTEES (FOR SALE)

Would your life be different with a 700+ credit score?” That is the enticement on one Web site offering credit-challenged consumers the opportunity to “piggyback” on someone else’s excellent credit card record. For a price—as much as \$4,000—someone could spend two or three months listed on a high-limit, promptly-paid card (without charge privileges, of course) and have his or her credit score inflate by as much as 200 points.

Most takers of this service have been sub prime mortgage applicants, who, in addition to getting an undeserved score, could count on loan officers so anxious to write as much paper as possible that they would look the other way.

How many business credit applicants avail themselves of the piggybacking option is not clear. It is certainly far less common than in consumer credit. However, for trade creditors who rely heavily on personal guarantees, it is a concern.

T-Mobile, which distributes cell phones and cell phone related products to independent retailers nationwide, requires personal guarantees from more than 90 percent of its dealer base. Former Credit Manager Jim McCoskey says that one of the most effective checks on applicants, beyond credit scores, is proof of ownership of real property.

“In the absence of mortgages on their personal credit report, you should find out if they own unencumbered real property not under mortgage,” he says. “If so, you should get a recent property tax statement that shows the guarantor’s name, the location and the appraised value.”

McCoskey also warns about real property listed by the guarantor that is actually in someone else’s name—and therefore judgment proof.

Randy Clark, assistant division credit manager at Young Electric Sign Company, also requires a lot of personal guarantees. Most of these applicants are new in business and need a sign for their establishments. The company has a standing policy that a personal guarantee or some other kind of security is required for any business less than two years old.

“We first look at what other company or companies have inquired about this consumer lately,” Clark says. “If it’s not a regular type of credit, like a bank, a credit card company, an auto or home lender, then I might be suspicious that the account has been ‘cleaned up.’”

“Sometimes you just have to go with your gut feeling about whether a report is believable,” he sums up. “You may have to actually talk with applicants to get that warm and fuzzy feeling about them.”

McCoskey says that fraud is not nearly the problem at the front end of the credit process as it is at the back end with sales and activations. Since retailers’ commissions are based on activations (when a customer actually signs up for cell service and buys a phone), some retailers falling short of sales targets will falsify activations by making up names and addresses and phoning the cellular carrier to “activate” the subscriptions.

Nevertheless, customers who would do that would certainly not hesitate to avail themselves of a piggybacking opportunity at the front end of the credit process. Therefore, as piggybacking becomes better known, it may well become more of a problem in trade credit.

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### 3. CYBERRISK INSURANCE – A CRITICAL ISSUE FOR THOSE IN CREDIT?

*By Laurie Zeigler*

Depending on the nature of your customer base, you may be in control of, or intricately involved with, computer networks that store thousands of items of sensitive personal or business information. The recent rash of highly publicized security breaches of credit data clearly raises the possibility of lawsuits being filed against companies not only on the consumer credit side, but also on the business credit side of the industry.

These claims may include assertions of economic injuries as well as loss of privacy by individuals whose personal information has been stolen or otherwise compromised. In addition, even in the absence of third-party claims, a company may suffer its own loss of revenue as a result of business interruption caused by a computer security breach.

For these reasons, it is imperative that credit managers have an understanding of the availability of insurance products that might respond to information risk claims. The situation is complicated by the fact that courts generally have held that traditional property and liability policies do not cover these claims. The reason for this is that the typical policy only covers "tangible" property and not "intangible" property such as information stored on a computer.

Moreover, fidelity bonds only cover first-party crimes such as employee forgery or theft, but that coverage does not cover hacking or theft of confidential information by outside parties. In response to this apparent gap in coverage, the insurance industry has developed within the last few years a number of "cyber risk" policies that through basic coverage, or by endorsements, address many of the potential exposures. These include:

1. Hacking into an entity's network and stealing information
2. Using a fraudulent electronic signature to obtain a loan or credit on-line
3. A virus that compromises data or results in system shutdown
4. Extortion threats by those who have obtained information, including dishonest employees

Every company's needs are different, and because these types of policies are so new, the available coverage's vary widely among insurers. Thus, it is important that a cyber risk insurance policy be analyzed by an insured's broker or legal counsel to ascertain whether it provides the most cost-effective coverage for any company's specific risks.

*Zeigler is with Brown McCarroll, LLP, and can be reached at [lzeigler@mailbmc.com](mailto:lzeigler@mailbmc.com) or 214-999-6160.*

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### 4. CASE STUDY: LARGE ORDER TO A SLOW PAY

You receive an especially large order, over \$50,000. Your customer is a distributor. Your credit investigation shows that they are very slow pay and there are some collections. The product you make is unique to you and, in fact, you have your own name brand for the product. You do not want to lose this order, as the sales department anticipates a lot of business from them. You view this potential customer as a mid-level risk. What should you do?

#### **The Strategies**

Prepay is out of the question; they will balk. Besides, they want terms. An irrevocable stand-by letter of credit could work, but that would only cover this order, and you do not want to jump through hoops each time they want to place an order. You want to develop a relationship with them. A personal guaranty is about as worthless as the paper it is written on, so what can you do?

Offer them open terms with a secured position by way of a Purchase Money Security Agreement (PMSA). Take a first position on your name-brand products and accessories for existing and after-acquired inventory, including the proceeds of the sale of your inventory. Another option is to obtain an irrevocable stand-by letter of credit, for one-year. You can split the fees (about ½ to 1 percent of the value).

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To learn more about subscribing to Credit Today, check out our web site at [credittoday.com](http://credittoday.com)  
Annual Credit Card Benchmarking Survey-Credit Cards Increasingly Integral to B2B Collections as Online Acceptance Grows

Credit Card Survey- Respondents Offer Up Advice on Web-based Credit Card Interfaces

2008 Credit Card Survey- Advice and Lessons-learned For Those Thinking of Setting Up a Credit Card Account

Where Credit Cards Don't Work

Credit Crisis Roundtable - Credit Reporting Veteran Expects "The Toughest 60 Days of My Career"

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## **UPCOMING INDUSTRY CREDIT GROUP MEETINGS**

### **FEBRUARY 10TH**

Fine Paper/Graphic Arts Credit Group  
Milwaukee WI

### **FEBRUARY 11TH**

Plumbing & Heating Industry Credit Group  
Waukesha WI

### **FEBRUARY 12TH**

Food Suppliers Industry Credit Group  
Madison WI

Metals & Industrial Suppliers Credit Group  
Brookfield WI

### **FEBRUARY 16TH**

IL Wholesale Floral Suppliers Credit Group  
Oakbrook IL

### **FEBRUARY 17TH**

Building & Construction Materials Credit Group  
Milwaukee, WI

### **FEBRUARY 18TH**

Minnesota Electrical Product Suppliers  
Brooklyn Park MN

Food Service Supply Hospitality Industry Credit Group  
Milwaukee, WI

### **FEBRUARY 19TH**

IL Fine Paper Industry Credit Group  
Lombard IL

Construction Industries Credit Group  
Appleton WI

### **FEBRUARY 20TH**

SE Electrical Suppliers Credit Group  
Milwaukee, WI

### **FEBRUARY 24TH**

Western Electrical Suppliers Credit Group  
List Only

WI/IL HVAC Industry Credit Group  
Rockford IL

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## **EDUCATION EVENTS**

### **FEBRUARY**

#### **Giving Yourself the Competitive Advantage ~ Monday - February 9**

Join us to learn how to build a successful career through attending courses for Business Administration Credit at Northeast Wisconsin Technical College or through WCA's on line program. Additionally learn more about opportunities for career advancement through the Business Credit, Collections Accreditation and Credentialing Program.

#### **Business Credit Principles ~ Monday February 23**

This course offers a comprehensive look at the entire credit function. You will learn the role of credit in financial management, the components of effective credit department systems and procedures, specific government regulations that pertain to business credit, credit and policy procedures, selling terms, negotiable instruments, the Uniform Commercial Code, credit investigations, financing and insurance, business credit fraud, factors associated with credit limits, out-of-court settlements, and bankruptcy.

Chat room meeting 7:00 – 8:00 PM

[Click here](#) for an updated event list including future events and closings