



# E-Credit News

Wisconsin Credit Association  
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WISCONSIN CREDIT ASSOCIATION 262.827.2880

January 2009

## In This Issue

WCA Member Updates & News

## This month's topics...

1. Scorecards: 3 Common Mistakes
2. Beware!
3. Questions to Ask an Online Information Broker
4. Ethics in the Exchanging of Credit Information: Take A Quiz and Check Your Views Against Those of Some Experts

Followed by  
Industry Group Meetings



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## BCMA Members

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

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

[\\*Wisconsin Credit Association](#)

## BULK SALES & RECEIVERSHIPS: CREDITOR "RED FLAGS"— THE NON-SOVIET VARIETY

TUESDAY – JANUARY 13 ~ Appleton WI

TUESDAY – JANUARY 20 ~ Muskego WI

This program will cover what YOU NEED TO KNOW WHEN YOU RECEIVE A BULK SALE NOTICE or a notice of a CUSTOMER'S RECEIVERSHIP, as well as other indicators that your customer is going OUT OF BUSINESS! Virtually all states have adopted the Uniform Commercial Code that gives notice to creditors of bulk transfers of a business's assets. Bulk sales laws are intended to prevent business owners from defrauding or evading creditors by transferring all (or a substantial portion) of the assets of the business to another individual or entity. The law is also intended to avert the possibility of businesses selling their assets below fair market value in a "sweetheart sale". Receivership proceedings can be used to rehabilitate troubled companies, or to liquidate them. Come lunch & learn how to protect yourself as the creditor in today's more-than-ever vulnerable economy. Please click above to register.

## COMPETITIVE EXPORT FINANCING" SEIZING THE ROBUST U.S. EXPORT ECONOMY; Maintaining & Creating Jobs!

TUESDAY – JANUARY 20 ~ Muskego WI

With the dollar still competitive and exports one of a few robust sectors of the U.S. Economy, ICE will be offering members this thorough look into Export Financing. This engaging program will address pre and post-shipment financing, risk mitigation, non-capital as well as capital equipment structured trade finance.

### EXPORT OUTLOOK

- ⇒ US Dollar Value and Outlook
- ⇒ US Export Economy & Outlook
- ⇒ Export Finance Intro

### PRE-EXPORT FINANCE

- ⇒ SBA export Working Capital Program
- ⇒ EXIM Bank Export Working Capital Program

### POST-EXPORT FINANCE

- ⇒ Letter of Credit Based Financing – Including NAFTA Countries
- ⇒ Credit Insurance Supported Short-Term Financing
- ⇒ Medium-Term Capital Equipment Financing
- ⇒ Export Supply Chain Best Practices



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

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

## NEW ASSOCIATION REPRESENTATIVES

Kathi Daubner

J & L Fiber Services

Erica White

Ferguson Enterprises, Inc

Bill Dean

Oshkosh Corporation

## NEW GROUP REPRESENTATIVES

### INTERNATIONAL CREDIT EXECUTIVES GROUP (ICE)

Kathi Daubner

J & L Fiber Services

Bill Dean

Oshkosh Corporation

Catherine Fitzpatrick

Ohio Medical Corp

### WISCONSIN/ILLINOIS HVAC

Erica White

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## **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.

Here are a few of the courses that will be offered with Chat-Room options. Watch the website for start dates and times as well as a special that will be running.

### BUSINESS CREDIT PRINCIPLES

### CREDIT LAW

### FINANCIAL ACCOUNTING

### FINANCIAL STATEMENT ANALYSIS I

### FINANCIAL STATEMENT ANALYSIS II

### INTERNATIONAL FINANCIAL STATEMENT ANALYSIS

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## **WCA MEMBERSHIP UPDATES**

Great going, Barb Congemi, Generac Power Systems, on **ACING** The Basic Financial Accounting Course. First one we have seen!

Congratulations to Guy Kwaterski from The Vollrath Company LLC on becoming a proud new grandpa! His daughter gave birth to a sweet little girl. Tiamarie Patricia was born early in December at 6 lbs 5 ozs 18inches. Congratulations and best of luck to all!

Best wishes to Marla Wilson, Oshkosh Corporation on her retirement.

## INDUSTRY CREDIT GROUPS

Are you looking for an opportunity to meet and network with credit executives in your industry? WCA administers credit groups servicing a variety of industries. Being connected to one of these groups will give you just what you are looking for-

- Updated credit information on mutual customers
- Face-to-face interaction with your industry peers
- Industry specific educational discussions

Feel free to visit our website, [www.wcacredit.org](http://www.wcacredit.org), or contact us at 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 & 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 inquires about a customer.

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

A variety of credit reports are available from WCA; call or [email](mailto:lisa@wca.org) Lisa, today! 262-827-2880 Ext. 224 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!

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

## 1. SCORECARDS: 3 COMMON MISTAKES

What are the top mistakes the credit managers are making with their "scorecards?" We asked consultant Pam Krank ([www.creditdept.com](http://www.creditdept.com)) recently and here are her top three:

1. Using Balance Sheet Data Instead of Cash Flow Data - The main mistake Krank sees over and over is that people still focus on the balance sheet instead of the cash statement.
2. Not Linking- A second big mistake is not linking subsidiaries to parent companies, even when they have the ability to do so, with a program such as SAP. "You need to watch this constantly," she says, or you will not know your true exposure. She cites the example of Bakeline, which filed bankruptcy. She has spoken with credit execs who thought that it was still a part of Keebler, which sold it a while back.
3. Nothing on the Ability to Raise Cash- Most scorecards have nothing on the ability to borrow or raise additional capital, Krank says. You should always know how much of their credit line your customer is using. It is a real warning sign when bank lines are used fully, and there is no other access to additional capital at a business. However, this information is not on most scorecards.

*Thanks to Dr. Howard Schilit.*

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## 2. BEWARE!

Credit managers who face with the task of choosing candidates for credit department vacancies are particularly concerned about hiring honest, reliable employees, and often turn to credit reports to help them screen applicants. If you deny employment to a candidate based, in any part, on information in the credit report, you should know that the Fair Credit Reporting Act (FCRA) requires you to disclose this fact to the applicant, along with the name and address of the credit department making the report.

The disclosure notice allows an applicant to obtain a free copy of the report and check it for accuracy and completeness. The disclosure requirement also pertains to any current employee who applies (and is turned down) for a new position or is terminated because of information in the report, although it need not be in writing. Individuals may sue you for actual damages in federal court for failure to disclose that is due to negligence. Willful violation opens the employer to punitive damages and actions by the FTC.

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## 3. QUESTIONS TO ASK AN ONLINE INFORMATION BROKER

If you are thinking about using an online information broker for skip tracing, here are some questions you should ask, according to Rick Seiboldt, an expert in tracking debtors:

How often do you update your database?

Do I have to pay an online fee? (per minute)

Do I have to pay any additional fees? (Some brokers will give you a list of names; if you pick a name, there MIGHT be additional charges to look at the complete record.)

Do they have a no hit - no charge policy?

Seiboldt recommends staying away from anyone who says they can get bank account information, as there are too many who get this information illegally. There are databases that you have to pay a monthly fee whether you use them or not. If you do use them, remember you are paying a monthly fee and a per search fee, which can get costly if you do a lot of business.

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## 4. ETHICS IN THE EXCHANGING OF CREDIT INFORMATION: TAKE A QUIZ AND CHECK YOUR VIEWS AGAINST THOSE OF SOME EXPERTS

During the course of any business day, countless hours are devoted to the exchange of reference information between various granters of commercial credit. Quite often, those of us exchanging the information are also members of an industry credit group.

We are guided, to some extent, by the commercial laws of the land and credit group bylaws. However, often this legislation is broad and subjective. To a large extent, the quality and content of exactly what is exchanged is a matter of a professional code of ethics—a sense of honor and integrity that forms a bond between us as professionals.

Certainly, we have deep responsibilities to our own companies: to be profitable, to survive and prosper in tough times, and to put our organizations in the best competitive position. However, we also carry around our own personal "shingles" – our

reputations as honest providers of information to others in the trade, and our roles as caretakers of the information entrusted to us. These reputations follow us even if we should change employers or industries.

If we should misrepresent credit information for the gain of our own company, we will violate trust. Should someone in our company "leak" shared information, we will bear the responsibility for the outcome. The consequences of improprieties can be dire: possible expulsion from credit groups, lost customer goodwill, even lawsuits.

Here, we will look at several realistic situations involving the exchange of information between trade creditors, or between trade creditors and bankers. As a yardstick, we will also examine how "the experts" look at these situations. We will see from these responses, and our own responses, exactly how seldom we are guided by case law and, therefore, how important the bond of our code of ethics really is. In particular, those who are inexperienced in credit exchange will gather very useful insights. Let us examine the following sample situations and consider how we would react to the way in which information was handled. Examine each issue from the standpoint of both ethics and legality.

These situations, with sample responses from the survey of experts which forms the text of the presentation, Ethics and Legalities of Credit Interchange, as well as the presenter's own viewpoints are given below. (As always, readers are encouraged to seek their own legal counsel rather than relying solely on the responses here.)

Situation 1: A banker answered a credit manager's questions about a depositor freely, but failed to volunteer that the customer was recently the subject of a large tax lien.

Despite the fact that we expect to exchange information freely and openly, this is perfectly okay. The tax lien is public information, which should be available to the credit granter if he has updated his files lately. While our initial reaction might be that the banker withheld something he should have disclosed, he also has a responsibility to his customer to avoid "blurting out" unsolicited negative information for which (we assume) he has no independent confirmation.

Said an experienced creditors' rights attorney about this issue: "A banker, or any creditor, or reference giver, is only required to answer questions honestly. If no question was asked concerning the tax lien, the banker is correct not to volunteer that information. The banker would have no way to know if the tax lien was disputed or how it may have been resolved, and to give negative information that could be erroneous would be more unethical than to remain silent."

Situation 2: A group interchanges member quotes detailed financial information received from a corporate customer with the notation "confidential."

Every survey respondent agreed that this is unethical and probably illegal. We must also consider this: Can we share the fact that we have possession of the information? To protect the customer's confidence, shouldn't we also hold private from others that we have been given confidential information? Doing so probably increases the likelihood that the customer will continue to entrust us with such information.

Situation 3: A credit manager can see from a group interchange discussion that a customer is seriously past due with many vendors. The credit manager demands that the customer return equivalent material to cancel the debt, with immediate suit the alternative.

This issue caused a split among our panel of experts. Said one attorney, "This is totally permissible. Much case law, particularly in the Second Circuit Court of Appeals, has held that 'the dissemination of information concerning the creditworthiness of customers aids sellers in gaining information necessary to protect themselves against fraudulent or insolvent debtors.'" However, an experienced credit manager responded, "This is unethical and, based on invoice terms of sale, could be illegal if the invoices are not due for payment. It could be 'breach of contract.'"

My view is that the "solvency" issue may be a big factor in the decision. Is the customer insolvent according to the Uniform Commercial Code? Therefore, is reclaiming goods (according the reclamation protections of the UCC) a prudent defense mechanism for the creditor, assuming the allowed time for reclamation has not elapsed?

*Thanks to Norman Taylor*

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[Credit Crisis Roundtable - Why the current downturn may be much worse than most expect](#)

[Credit Execs- NO to Federal Bailout of Automakers!](#)

[Benchmarking Credit Insurance- Benefits - Raw Data](#)

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## **UPCOMING INDUSTRY CREDIT GROUP MEETINGS**

### **JANUARY 8TH**

Metals & Industrial Suppliers Credit Group  
Brookfield WI

### **JANUARY 12TH**

IL Wholesale Floral Suppliers Credit Group  
Oakbrook IL

### **JANUARY 13TH**

Fine Paper/Graphic Arts Credit Group  
Milwaukee WI

### **JANUARY 14TH**

Plumbing & Heating Industry Credit Group  
Waukesha WI  
Food Groups (Milwaukee & Madison Combined)  
Johnson Creek, WI

### **JANUARY 15TH**

Construction Industries Credit Group  
Appleton WI

IL Fine Paper Industry Credit Group  
Lombard IL

### **JANUARY 16TH**

SE Electrical Suppliers Credit Group  
Delafield WI

### **JANUARY 20TH**

Building & Construction Materials Credit Group  
Greendale WI

### **JANUARY 21ST**

Minnesota Electrical Product Suppliers  
Brooklyn Park MN

### **JANUARY 27TH**

WI/IL HVAC Industry Credit Group  
Rockford IL  
Western Electrical Suppliers Credit Group  
Madison, WI

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## **EDUCATION EVENTS**

### **January**

#### **BULK SALES & RECEIVERSHIPS: CREDITOR "RED FLAGS"— THE NON-SOVIET VARIETY**

TUESDAY – JANUARY 13 ~ Appleton WI

TUESDAY – JANUARY 20 ~ Muskego WI

#### **COMPETITIVE EXPORT FINANCING", SEIZING THE ROBUST U.S. EXPORT ECONOMY, MAINTAINING & CREATING JOBS**

TUESDAY – JANUARY 20 ~ Brown Deer WI

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