

# Credit Line



A MEMBER NEWSLETTER      DECEMBER 09

## Give Credit To Customers

by Susan Lujan, CCE, Kenworth Sales Co.

Credit is defined as “To commend or honor for some action; trustworthy; to believe in; confidence in a purchaser’s ability and intention to pay.” Are all of these true in our economic climate and what definition should we use?

With the housing crisis still taking its toll, we learned of yet another bankruptcy-CIT and read of the lender pulling back sharply on loans to their traditional retailer base. Concerns were also expressed that this could cause severe issues with companies gearing up for a potential springtime rebound. CIT customers may be forced to look elsewhere for financing and guess where they might be looking?

What does this have to do with commercial credit? The answer is EVERYTHING. Our shrinking economy is primarily driven by consumer spending. Consumer spending is driven by confidence which in turn is driven by employment which generates consumer spending. The struggling retail sector still employs a lot of people. This is where YOUR goods are sold, used or ultimately purchased with payroll dollars. We are now learning that financing for this sector may be even tighter and, with fewer financing options, some retailers may be closing. Without viable retailers there would be few viable commercial businesses and that is YOU.

The very retailers we are talking about are already turning to suppliers for extended terms or are just taking them. This behavior trickles backward to you. You’ve seen it on your own accounts receivable. Your aging is sliding by 30 days and Utah has the distinction of being “the second worst in the U. S. when it comes to past due receivables” according to the Enterprise Oct 26 – Nov 1, 2009. Tell me something I didn’t know.

This is what I do know. My customers are struggling but I still need them. They don’t withhold payment just to hear my voice every month. They don’t enjoy being in this position. They still need me and they hope they can pay me somehow, sometime. They are frightened and they may lash out because they don’t know what else to do.

*Continued on Page 2*



**HAPPY  
HOLIDAYS**

**NACM Lien & Bond  
Seminar Recap**

Pg. 2

**Shipping  
Fraud  
Alert**

pg. 3

**2010  
Spring Semester  
Class Schedule**

Pg. 4

**The Importance  
Of A  
Positive Attitude**

pg. 6

## **“Give Credit To Customers” Continued...**

I know I need to be paid and yet balance my expectations with the current economic conditions. I also know there is a cost involved with carrying past due accounts. I have to employ collectors, mail statements and borrow from my bank to cover my obligations when my receivables are slow to come in. I'm not suggesting that you change your credit terms, but I am suggesting you take a good look at what you CAN do. Understand that you may have some anti-trust issues (take a credit law class) if you extend differing terms to your customers. Also, understand that when you carry a customer beyond terms, you are financing their payables. For that additional financing benefit and to offset some risk – my company does impose a late fee that is part of our signed credit agreement. Of course, we have customers that tell us they do not pay late fees but our credit package is not “a la carte.” We offer interest free credit (which is more than any bank would do) followed by a grace period and then a late fee. I cannot offer unlimited interest free credit to anyone without potential legal and financial implications and certainly should not give preferential treatment to any of my customers at the detriment of another.

“What would I want if I was receiving the collection call?” Would you like to be treated with dignity and respect? Here's where we talk about “commend or honor for some action, trustworthy, to believe in.” Give your customer some credit for their history with you. What was your relationship like a year ago? Is this customer making changes to try to survive?

The other part of credit is the financial aspect-confidence in a purchaser's ability and intention to pay. Intention is easy but ability is yet to be seen. Some of your customers will fail within the next 12 months. You will have bad debt, but not every slow account will fail. Financial Statements may indicate the customer has 67¢ to pay on every \$1 as it comes due. But, that does not mean you will be partially paid, slow paid or not paid at all (take NACM class Financial Analysis II). There is a rank order to getting paid in full. 1) They like you, 2) They need you, 3) You call first, 4) You call the day they get a check. Of course, #1 and #2 may flip flop and calling too often may put you at the bottom of the stack. There are some other things that help to improve my odds. I make it as easy as possible to get the money immediately whenever there is that opportunity. I accept credit cards and checks by phone (ACM). Did you know that EFT transactions get paid by the bank before a paper check and you can get guarantees on checks?

Credit and Collection Departments are more important than ever to your business. Your company is dependant on you to use the science and the art of credit in your decisions. When do you stop selling? When do you continue to work with a customer? Loyalty that develops now will feed your customer base when the economy does turn. Giving “credit” to your customer is huge in relationships and we all want our customers to be back.

## **NACM Lien and Bond Seminar–A Recap**

by Scott W. Lee, JD, CPA, CCE, NACM BCS Vice President and Collections Manager

If you are involved in construction in Utah and you didn't attend the NACM seminar in November, you made a major mistake. Greg Powelson from NACM National spoke on mechanics' liens and bonds on a nationwide basis. If you do business outside Utah, this was your opportunity to gain some great insights. Dana Farmer then spoke about changes within the Utah State Construction Registry. He did a phenomenal job. He also provided a 76 page resource document that included forms and step by step, click by click instructions for SCR users.

One of the fundamental rules of life is: “Must be present to win.” So I am not going to go through everything Dana taught. I will tell you that there is now a provision for asking for “adequate assurance” in certain situations when a bond has not been obtained on a commercial job. There is also a provision in those situations for filing a “Notice of Intention to File a Notice of Completion.” If that is filed you have a limited time to state, on the SCR, whether you are due money on the project or owe money back. The SCR fields for this are confusing at best.

There is not space here to adequately summarize a full day seminar and a 76 page book of instructions. We will host another mechanics' lien seminar at the end of the 2010 legislative session. The legislature is already discussing more changes to the mechanics' lien and bond laws. I would suggest you call Georgette right away if you would like to attend so we know how large a room we need. I would hate to exclude anybody due to limited space. This is information you need if you are involved in the construction industry and are serious about being paid.

Don't Forget...Register for Credit Congress, May 16-19, 2010, at the Rio, Las Vegas, by **December 18th** and save **\$180 on registration!**

# Wire Transfer Fraud

by Sandi Smith, Credit Manager, Chris & Dick's Cabinets and Countertops LLC

I know we're all tired of hearing the phrase "In these tough economic times." but it is true. It doesn't help that fraud has not slowed down as much as legitimate business.

Our company has been approached three times since May, 2007. I'm going to go over some key points that employees need to watch for. Every case had a request for money to be wired to a shipping company and in every case stolen credit cards were presented. The wording of the emails are in 'broken' English where the sender uses "u" for you, "i" for I etc.

Case 1 – May 2007: Contact by email went directly to an employee. The request was for lower cabinets to run 24'. The sender knew just enough information to get my designer interested so she could ask further questions. A credit card was emailed which included the three digit security code and expiration date. At this time the customer requested we add an additional \$1000 to the card so that they could notify their shipping company to pick up materials. The flag to me came when they requested we send the \$1000 to Western Union. By this point, \$2000 worth of cabinets had been ordered and the credit card run for \$3635. The credit card receipt stated "No AVS code match" and "No CVV2 match." Yet, we received a final approval. The credit card company was contacted and we were told the card was stolen. Upon contacting the customer, we told them the credit card was denied. They promptly sent another email with two more credit cards on it.

Case 2 – January 2008: Original contact was through the "Deaf Relay Services." This service is for those who are hard of hearing or deaf. They type their part of the conversation to the service and it is translated for them during a phone call. The designer relayed his email address so they could communicate further. As in the first case, standard upper cabinets were requested. The buyer claimed to be Rev. Wayne Larry and up front told the designer that he wanted to purchase these cabinets and donate them to an orphanage. The designer jumped on this. He never spoke directly to the customer. He emailed the contact since it's a requirement and received a signature. He received two separate credit cards to run \$2000 on each and they cleared. I found out about it when we were contacted by the credit card company three weeks later for invalid card transactions. I contacted Rev. Larry by email to let him know the cabinets had arrived and he requested that we contact Mr. Jim Corporation for freight quotes so that we could wire money and they'd pick up the cabinets. I continued to tell him the cards provided were not clearing and Rev. Larry kept sending me more cards. I collected eight stolen Sears cards before we were done wasting our time. He called a couple more times through the relay system. It is good to note that the relay operator at one point interrupted the conversation to let me know they suspected fraud.

Case 3 – October 2009 :The original contact was through our web-site. This request was for granite countertops. The customer picked out the standard color advertised and threw out some sizes. The designer responded and quoted prices. The customer said they could wait three weeks and wanted to know what type of payment we accepted. Thankfully, all our designers had been notified of the past events and this was brought to my attention. I emailed the customer and let them know what type of payment we accepted and that we'd need 50% down and documents signed. He promptly emailed me back and said he was donating these cabinets to an orphanage in West Africa and wanted me to contact a good shipper he knew to make the pick up arrangements. Knowing where this was leading, I just responded that we did not make arrangements for out of country shipments. That pretty much ended the scam.

In the last two cases, the email address for the shipping companies were similar—they both ended with @cooltoad.com. Again, in all three cases, the emails were broken English, even the one I received from the freight company in case #2. The shipping company in this case was also nice enough to recommend 3 Western Union locations closest to our company.

We were lucky that we only were hit for material on case #2. We were also lucky that it takes three to four weeks to bring in cabinets. Merchant services could not explain why these credit cards would process even when we were entering invalid information. In the first 2 cases, the cards processed and that's all the designers cared about.

It may seem reasonable to anyone that once Africa is mentioned, it could be questionable. I wanted to share this because of the potential of bringing in material that will never be picked up. **I've been asked by my designers where these people make their money. IT'S IN THE NON-TRACEABLE WIRE TRANSFERS. In case #1 and case #2 the person committing the fraud had no problem letting us add extra to the credit card transaction for our inconvenience of wiring money. By the time the credit card is disputed, the funds are gone.**

Our company policy is that no email transactions are run without going through the credit department for review. Customers must make their credit card deposits in person with a signed contract. We just can't be too careful "in these hard economic times."

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# 2010 Spring Semester Begins Monday, January 11

## Class Schedule, Salt Lake Community College

### Principles of Business Credit (2 credit hours, cost: \$299)

FIN2210-002, Redwood Rd, W 5:30 - 7:20 pm, Rm BB 330A, January 11, Instructor: Georgette Bevan, CCE, NACM BCS (CRN-20072)

**Topics covered:** Credit in the business world, the legal environment of credit, negotiable instruments, legal forms of business, the Uniform Commercial Code, credit investigations, nonfinancial analysis, financing and insurance, credit availability decisions, out-of-court settlements, bankruptcy code procedures, etc.

### Financial Accounting (3 credit hours, cost: \$412)

ACCT 1110-008, Taylorsville, MW 5:30-6:50 pm, Rm BB 317, January 11, Instructor: Staff (CRN-20003)

ACCT 1110-009, Taylorsville, R 5:30-8:20 pm, Rm BB319, January 15, Instructor Staff (CRN-20004)

ACCT 1110-011, South City Campus, T 5:30-8:20 pm, Rm SCC N389, January 12, Instructor Staff (CRN-21277)

ACCT 1110-002, Sandy Center, R 7:00 - 9:50 pm, Rm SAN A-102, January 15, Instructor Staff (CRN 22820)

**Topics covered:** An introduction to the concepts and methods underlying the preparation of financial statements using generally accepted accounting principles. Topics covered include the accounting cycle, cash and inventories.

### Financial Statement Analysis I (2 credit hours, cost: \$299)

FIN 2220-001, Taylorsville, M 5:30 to 7:20 pm, Rm BB 118, January 11, Instructor: Doug Darrington, MBA, CCE (CRN-27142)

**Topics covered:** Financial statements, balance sheet, income statement, statement of retained earnings, and statement of cash flow.

### Credit Law (3 credit hours, cost: \$412)

Tuesday 5:30 to 8:30 pm, NACM Training Center, January 12, Instructor: Scott W. Lee, JD, CPA, CCE

**Topics covered:** This course provides students with a fundamental understanding of credit law and the legal environment—negotiability and transferability, rights and liabilities of parties, checks and the banking system, secured transactions, creditor's rights, bankruptcy, antitrust, sole proprietorships, partnerships, joint ventures, corporations, and limited liability companies (pre-requisite The Legal Environment of Business).

### Business Law-Legal Environment of Business (3 credit hours, cost: \$412)

MGT 2050-012, Jordan Campus, T 7:00 - 9:50 pm, Rm HTC 234, January 12, Instructor: Staff (CRN-20249)

MGT 2050-014, Library Square, W 7:00 - 9:50 pm, Rm ISC, January 13, Instructor: Staff (CRN-25551)

MGT 2050-010, Sandy Center, W 7:00 - 9:50 pm, Rm SAN A-116, January 13, Instructor: Staff (CRN-21755)

MGT 2050-005, Taylorsville, W 5:30 - 8:20 pm, Rm BB119, January 13, Instructor: Staff (CRN-20079)

**Topics covered:** Instructs students in the principles of business law, including torts, contracts, agency and commercial law. Business forms including sole proprietorship, partnerships and corporations are explored along with common legal problems encountered in business.



**For All It's Worth  
Education Makes A  
Difference!**



**Register FOR ALL YOUR SALT LAKE COMMUNITY COLLEGE CLASSES  
through NACM now through January 8, 2010  
For more information contact Georgette Bevan, CCE  
801-433-6116 or email [GBevan@nacmint.com](mailto:GBevan@nacmint.com)  
SCHOLARSHIP APPLICATIONS TO GEORGETTE BY DECEMBER 10, 2009**



## December 2009

Sat. / Sun.	Monday	Tuesday	Wednesday	Thursday	Friday
		1	2	3 Hardware & Lumber	4 Steel & Welders
5/6	7	8 Food & Restaurant	9 SLC Contractors	10 <b>ICEL LUNCHEON RED LION HOTEL 11:45 A.M.</b>	11 Concrete, Paving, Excavating & Waterworks
12/13	14 Floor Covering  Masonry, Landsc Paper Flow Only	15 Printing Ind. of Utah Heating & Plumbing Automotive & Truck Suppliers Roofers & Siding Equipment Dealers	16 Ut. County Contr.  National Dist. Credit Professionals Advertisers, Media	17 Industrial Supply  General Contractors  Electrical	18 Diesel Engines  Ogden Contractors
19/20	21	22	23	24	25 <b>CHRISTMAS NACM CLOSED.</b> 
26/27	28	29	30	31 <b>NEW YEAR'S EVE</b>	<b>NEW YEAR'S NACM CLOSED</b>

**ICEL** (Intermountain Credit Education League)

**Thursday, December 10th Luncheon, 11:45-1:15 p.m.**

**Christmas Program: Deci-Belles**

Red Lion Hotel, 161 West 600 South, SLC, UT

Cost: \$16, Contact Georgette Bevan, CCE, 801-433-6116 or GBevan@nacmint.com



The Deci-Belles is a local volunteer group of ladies, who love to SING!!! They have been together for about 7 years. They started as a small group of 8 ladies and now have grown into about 30 singing gals. Marlene Stanley is the director; she is responsible for putting together the singing programs. The ladies learn two completely different programs a year. This year's Christmas program should delight everyone. They perform annually at Temple Square and the Joseph Smith Memorial Building. The Deci-Belles have delighted many Retirement homes and company parties. Please come and join us at the Annual ICEL Christmas luncheon for an hour's worth of entertainment.



# The Importance Of A Positive Attitude

by JJ Jongejan, XPEDX

A credit manager's attitude, be it bad or good, plays an enormous role in determining failure or success in every phase of competitive credit management.

In sports competition we understand that successful players know the end goal or outcome they desire. They plan, receive coaching, prepare physically and mentally and then enter the competition. The objective is to succeed by crossing the goal line, making the basket, beating the time record, or lifting the most weight.

A critical component of the outcome is attitude. Having your mind in the game, not being rattled, shaken, or distracted is crucial. Knowing that you can succeed by developing the right attitude toward a very competitive credit game determines your rate of success.

Can the planning, coaching, physical and mental preparation ever stop with an athlete or with you? Never! Will there be challenges and setbacks as you move to the desired credit outcomes? Most certainly!

In any athletic activity there will be bumps, bruises, cuts, scrapes, and maybe a concussion or broken bone or two. However, the athlete is prepared with an attitude of winning and knows that regardless of temporary, minor or major challenges or opposition, they can continue on and succeed over time. In credit, as with sports, if your attitude is set right in the beginning, you will more frequently succeed in meeting your goals. Will there be some occasional business related bumps, bruises, cuts, scrapes, and maybe a concussion or broken bone or two? Most certainly! But that is just part of the credit and collections game.

My challenge to all of us is to get our attitude set right each day knowing that in any competition we can meet our desired outcomes with higher levels of success, despite any challenges or set-backs that face us.

By the way, if you feel you have a great attitude and understand its importance, share it with a credit team mate. If your attitude needs to be reset, find a credit team mate who can coach and help you. We are all in this game together and we can win together!

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