

NACM Learning Center
Credit Basics

Session 2: Documenting the Credit Relationship

Presented by
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Review of Session 1: Why Customers Don't Pay

- Why don't customers pay?
 - Cost of Credit
 - Payment Gap
- Real Reasons
 - Seller doesn't act like it expects to be paid
 - Never been granted credit



Review of Session 1: Why Customers Don't Pay

- Wrong debtor/Bad paperwork
- Defects/Inaccuracies
- Misunderstandings
- No money and poor cash flow
- Seasonality



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Review of Session 1: Why Customers Don't Pay

- Opportunities
- Lack of understanding about terms
- Personal issues in closely held businesses
- Bad intentions



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PREPARATION



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Preparation

Credit Policy Manual



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Preparation

- Who makes the credit decisions?
 - Groups
 - People
 - Timing



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Credit Policy Preparation

- Who reviews the decisions?
 - Hierarchy “appeals”
- How are the decisions enforced?
 - Collection Policy



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Requirements For Credit Decisions

- Application
- Standards
- Exceptions



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Requirements For Credit Decisions



3C's

- Character
- Capacity
- Capital



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Requirements For Credit Decisions

- Standard Terms
- Enhancements
- Compliance with statutes and regulations



CREDIT AGREEMENT



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Does A Credit Agreement Fit In The Relationship?

- Order Process
- Order Acknowledgement
- Terms and Conditions Binding
 - Timing
 - Battle of the Forms



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Don't Forget to Consider...



- Choice of Law
- Venue
- Jury Waiver

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Don't Forget to Consider...

- Interest
- Attorney's Fees
- Alternative Dispute Resolution (ADR)



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Enhancements

- Be sure to include:
 - Guarantees
 - PMSI
 - Liens
 - Letters of Credit



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Other Forms

- Terms and Conditions
- Acknowledgements
- Invoices
- Reminders
- Demands/Notices



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Summary

- Documenting the credit relationship requires Preparation:
 - Who makes the credit decisions?
 - Who reviews the decisions?
 - How are the decisions enforced?



Summary

- Does the credit agreement fit in the relationship?
 - Order Process
 - Order Acknowledgement
 - Terms and Conditions
- Important Considerations



Summary

- Include Enhancements:
 - Guarantees
 - PMSI
 - Liens
 - Letters of Credit
- Other Forms:
 - Invoices
 - Reminders
 - Demands/Notices



Thank you.

Look for Session 3:
Delinquencies and the Collection Process



Robert S. Bernstein, Esq.

- Certified by the American Board of Certification in creditors' rights and business bankruptcy.
- Active member of the NACM and PACM.
- Member of the Association for Conflict Resolution as a trained mediator.
- Past president and treasurer of the Commercial Law League of America.
- Past chairman of the Allegheny County Bar Association in the Bankruptcy and Commercial Law Section, the Technology Utilization Committee, the Professional Ethics Committee and is a member of the Finance Committee.
- Bob was named a Pennsylvania Super Lawyer in 2004, 2005, 2006, 2007 in the area of bankruptcy by the *Philadelphia* magazine.
- Writes and lectures for local and national groups on matters of collection, bankruptcy, business law, and professional ethics.
- Author of *Get P.A.I.D A Guide to Getting Paid Faster* (Business Credit Publications, LLC 2007)



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Get P.A.I.D.TM A Guide to Getting Paid Faster (And What to do if You Don't!)

- In this seminal book, he provides a solution, *The Get P.A.I.D.TM System*, that can transform a business by increasing profit, enhancing the relationship with the customer and reducing overall marketing costs. Get P.A.I.D.TM : A Guide to Getting Paid Faster advances a radical new philosophy, suggesting that credit policy is not just about collections. It is a business strategy to enhance customer relationships and add value to a company.
- The strategy discourages businesses to provide easy credit to their customers based upon the commonly held belief that easy credit will lead to stronger customer relationships. It usually leads to added cost and friction. The book outlines Bernstein's 4-Step Program to prompt payment and provides a "Collections Toolbox" to help businesses better manage their credit policies.



www.getpaysystem.com

Bernstein Law Firm, P.C. is a law firm located in Pittsburgh, Pennsylvania with many satellite offices located throughout the state. The firm concentrates in Creditors' Rights, Bankruptcy and Restructuring, and Business Law. In addition to its more than forty years of experience in these areas, the firm's capabilities include Banking, Administrative, Real Estate, Civil and Appellate Law.

Bernstein Law Firm has more board-certified Creditors' Rights specialists in Pennsylvania than any other law firm.

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