

# Business Credit News

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**AUGUST 2016 Chairman: Terry Ludzenski  
Holt Cat**

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## **“GRANTING CREDIT TO START UP COMPANIES”**

*By: David Balovich*

There has been much written lately about the credit decision and setting credit limits but what about establishing open credit for new businesses who are unable to meet all the requirements of the three, four or five C's of credit?

Selling to a new business on open terms is similar to making an investment and the successful credit manager will use the lessons of investing when deciding whether to extend credit to a new business or not. Here are five basic rules to consider when determining whether to sell to a start-up business on open terms:

**REQUIRE A BUSINESS PLAN:** insist on seeing the business plan. Talk is easy - a business plan is difficult. The business plan should provide enough detail to determine whether the business is feasible and likely to succeed. The plan should provide answers to the questions you should ask and make clear how the business would make money and provide a return to its investors.

**CALCULATE RISK:** Determine what the various outcomes might be. Under what circumstances will the business succeed or fail? What must the business do to break even? If the business needs more money will they be able to obtain it? Are there sufficient assets to pay creditors if the business does not succeed?

**WHAT IS THE BUSINESSES LEGAL STRUCTURE:** Is it a proprietorship, partnership, corporation, limited liability company. If it is a corporation or LLC are the principals willing to sign personal guarantees, including spouses.

**DETERMINE IF THE PRINCIPALS HAVE SOMETHING TO LOSE:** Be leery of a new business where the founders/principals have nothing to lose. If the principals will lose money or end up in debt if the business fails then that fear of failure often is sufficient enough motivation for them to make the business a success.

**OBTAIN WRITTEN DOCUMENTATION:** Cover all-important aspects of agreements in writing. Never rely on oral promises or general trust. It is easy for the principals or their agents to “forget” specific arrangements that are not in writing. If providing a significant amount of credit, it should be included in the agreements that the customer will provide financial statements on a regular basis.

**DON'T SAY “YES” TO PREVENT THE COMPETITION FROM MAKING THE SALE:** According to the Small Business Administration, seventy percent of all new businesses fail between years one and three. If the founders/principals are reluctant to answer questions or provide documents this is indication of Character, the most important of the C's of credit. Money should talk, The time to obtain sufficient information, cooperation, and written agreements is before credit is granted. Always be prepared to “Just Say No”.

\*\*\*\*\* **AUGUST 2016** \*\*\*\*\*

Day	Date	Group	Location	Time
Tues	4	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin TX	11:30
Tues	11	Coastal Bend Group	***** WILL BE ATTENDING THE SW CREDIT EXCHANGE *****	
Wed	12	Rio Grande Group	***** WILL BE ATTENDING THE SW CREDIT EXCHANGE *****	
Thurs	13	SW Food Credit Group	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:00
Tues	18	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin, TX	11:30
Wed	19	Victoria Credit Group	***** WILL BE ATTENDING THE SW CREDIT EXCHANGE *****	
Thurs	20	Austin Ad Media	Phone Conference Meeting 1-800-791-2345	2:00
Thurs	20	Fuel & Lube/Heavy Eq.	Phone Conference Meeting 1-800-791-2345	2:30
Thurs	20	HVAC Credit Group	Texas Air Products, 11122 Gordon San Antonio TX	11:30
Fri	22	SW Electrical Group	***** WILL BE ATTENDING THE SW CREDIT EXCHANGE *****	
Tues	25	SA Construction	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:30
Wed	27	Laredo Credit Group	***** WILL BE ATTENDING THE SW CREDIT EXCHANGE *****	

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**DEFINITIONS OF THE MONTH**

**Security of Agreement** = An instrument identifying the terms and conditions by which one pledges security to another.

**Security** = An item of value, the right and title of which are pledged to another in order to obtain an extension of credit.

**“THE ONE STOP-SHOP”**

**INDUSTRY CREDIT GROUPS**

**CREDIT INFORMATION SERVICES**

- NACM Business Reports
- Experian Business Profile Reports
- Experian Small Business Advisory Reports
- Experian Commercial Intelliscore
- Experian Small Business Intelliscore
- Experian Trade Payment Guides
- Consumer Reports
- D&B Business Information Reports
- D&B Payment Analysis Reports
- Creditel Canadian Reports
- Creditel International Reports

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- Business Legal Listing
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**CREDIT EDUCATION**

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- Seminars
- Workshops
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- Out of Court Debtor Rehabilitation
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- Assignment for Benefit of Creditors
- Plan Administrator
- Disbursing Agent

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