

Business Credit News

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SEPTEMBER 2016 Chairman: Terry Ludzenski
Holt Cat

“CREDIT APPLICATIONS”

By: David Balovich

We often receive a call or an email inquiring if we have a “standard” application that we can provide. If you have attended my seminars, or taken my courses, or read any of my previous articles you know the answer. No! Not that we’re mean but we have been very vocal about credit applications and our belief that it is more advantageous to use credit agreements in lieu of applications. Our opinion is based on the fact that credit applications as defined in Regulation B of the Equal Credit Opportunity Act are not legal documents but rather a source of information.

Regardless, the credit application should be as thorough as possible and for those who remain “trapped inside the box” the following is our recommendation for the essentials of a credit application. Let me say as an aside that our brethren in the consumer credit profession have gone out of their way to eliminate the credit application through the use of “instant credit”. Risk is inherent in all credit transactions and the only way one can conduct proper due diligence is to have as much information as possible about the applicant whether it be a business or an individual.

It is essential that we have not only the exact legal name of the applicant but also how they are formed; proprietorship, partnership, or corporation. Knowing this information is essential especially if a security interest is to be obtained and filed (UCC) or when things don’t work out as planned legal action is taken.

If the applicant is a corporation, we should obtain the date of incorporation, the state where the company was incorporated, and the federal tax identification number. In addition the application should ask for the names, home addresses, and percentage of ownership interest of each owner of the business. **Note: not applicable to publicly traded companies.**

Applications should not only ask for the billing address but also the physical address of the company along with contact names and phone numbers, email addresses and fax numbers (if you still utilize fax machines in your organization)

Applications should ask for a minimum of three references in the same industry as the company that they are applying for credit with. Example: Your firm sells tires, the applicant should supply three references in your industry NOT where they purchase their office products from. In addition they should authorize the references to provide you information.

Every application should contain language that reads in part:

“Applicant certifies that all information contained herein is true and correct. Applicant grants permission to (your company name) to obtain credit reports and other information from its references listed and any other sources, and authorizes all references and banks applicant does business with to release information to (your company name) for the purpose of evaluating applicants request for open account terms.

Finally, there should appear on the application the ECOA statement and notification. This should appear in bold capital letters so that the applicant cannot say they did not see or understand the notice.

THE FEDERAL EQUAL CREDIT OPPORTUNITY ACT PROHIBITS CREDITORS FROM DISCRIMINATING AGAINST CREDIT APPLICANTS ON THE BASIS OF RACE, COLOR, RELIGION, NATIONAL ORIGIN, SEX, MARITAL STATUS, AGE (PROVIDED THE APPLICANT HAS THE CAPACITY TO ENTER INTO A BINDING CONTRACT), BECAUSE ALL OR PART OF THE APPLICANTS INCOME DERIVES FROM ANY PUBLIC ASSISTANCE PROGRAM OR BECAUSE THE APPLICANT HAS IN GOOD FAITH EXERCISED ANY RIGHT UNDER THE CONSUMER CREDIT PROTECTION ACT, THE FEDERAL AGENCY THAT ADMINISTERS COMPLIANCE WITH THIS LAW CONCERNING THIS CREDITOR IS THE FEDERAL TRADE COMMISSION, EQUAL CREDIT OPPORTUNITY, WASHINGTON D.C. 20580

IF YOUR APPLICATION FOR BUSINESS CREDIT IS DENIED, YOU HAVE THE RIGHT TO A WRITTEN STATEMENT OF THE SPECIFIC REASONS FOR THE DENIAL. TO OBTAIN THE STATEMENT, PLEASE CONTACT (name, address, phone number of the person or office where the statement of reasons can be obtained) WITHIN 60 DAYS FROM THE DATE YOU ARE NOTIFIED OF OUR DECISION. WE WILL SEND YOU A WRITTEN STATEMENT OF REASONS FOR THE DENIAL WITHIN 30 DAYS OF RECEIVING YOUR REQUEST FOR THE STATEMENT.

There is certainly more information that you can add to the credit application but the information mentioned is the minimum information that should appear on any application.

With respect to guaranties and terms and conditions, although we always recommend that these be on separate forms from the application, they can be incorporated onto the application if properly done so as not to be incorporated into the application.

As always, we recommend the use of the Credit Agreement which provides both a contract and a application that cannot be disputed by the debtor or their attorney at a later date.

***** **SEPTEMBER 2016** *****

Day	Date	Group	Location	Time
Tues	6	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin TX	11:30
Thurs	8	SW Food Credit Group	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:00
Tues	13	Coastal Bend Group	Holt Cat, Corpus Christi TX	11:30
Wed	14	Rio Grande Group	Pro Build, Mercedes TX	11:30
Thurs	15	Austin Ad Media	Phone Conference Meeting 1-800-791-2345	2:00
Fri	16	SW Electrical Group	The Onion Creek Country Club, Austin TX	11:30
Tues	20	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin, TX	11:30
SEPT	21	Bond & Lien Seminar	The Onion Creek Country Club, Austin TX	8:30
Wed	21	HVAC Credit Group	*** WILL MEET AT THE BOND & LIEN SEMINAR ***	
Thurs	22	Fuel & Lube/Heavy Eq.	Phone Conference Meeting 1-800-791-2345	2:30
Thurs	22	Victoria Credit Group	The Sky Restaurant, Victoria TX	11:30
Tues	27	SA Construction	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:30
Wed	28	Laredo Credit Group	Phone Conference Meeting 1-800-791-2345	2:00

NACM COLLECTION SERVICE

Our collections staff is willing and certainly able to take on those tough, overdue accounts to which you've been devoting too much of your valuable time. We act promptly, personally contacting the debtors on the same day we receive your accounts. We are equal opportunity collectors, that is, no matter where your debtors live in the nation or who they are, we will find them and collect. In cases where we don't collect, we charge no fee, albeit we do so grudgingly.....we don't like failure. For your protection, all funds collected are placed in trust accounts. Also, all employees and attorney's are bonded. When you hit that wall in your collection efforts, give us a call at (210)225-7106 or you can fax your problems to us at (210)225-1777.