

**NOTES**

***Credit  
Professionals  
International***

***2008-2009  
Education Manual***

# TABLE OF CONTENTS

Introductions	
<i>by President Esther Brinkley, CA/MPCE</i>	3
<i>by Jean Jervis, CCCE/MPCE</i>	4
Credit Counseling Message Board	5-10
<i>by Tracy Harden, PCS</i>	
The Pros and Cons of Payday Loans	11-16
<i>by Beth Blanco, AFC</i>	
Getting All of the Butterflies Going in the Same Direction	17-22
<i>by Linda Bridgeford, CCCE/MPCE</i>	
Identify, Reply, and Comply?	23-31
<i>by Robin Szabo</i>	
Make Your Credit Department the Best	32-37
<i>by Susan J. Heusing, MCE</i>	
Credit and Sales—Making More Happen Together!	38-42
<i>by John H. Heidel</i>	
I Finally Got It All Together and Can't Remember Where I Put It!!	43-48
<i>by Charlotte Maness, CCCE/MPCE</i>	
Project Lifesaver—We Bring Loved Ones Home	49-55
<i>by Douglas Mueller</i>	
Financial Advice for Pre-Retirees	56-61
<i>by Susan S. Franke.</i>	
Professional Credit Certification: The Key to Your Future	62-64
The Foundation: Then and Now	66-69
What is CPI	70
CPI Membership Campaign	71

## CREDIT PROFESSIONALS INTERNATIONAL “DESTINATION: EXCELLENCE”

### ADD NEW MEMBERS TO YOUR TEAM!

Announcing the 2008-2009 Membership Campaign

#### LOCAL

A Certificate of Appreciation will be awarded to each local association that:

**retains its membership**  
**adds new members**  
**increases its membership**

#### DISTRICT

A Certificate of Appreciation will be awarded to each District that:

**retains its membership**  
**adds new members**  
**increases its membership**

The Corporate Office will retain the records and calculate the winners at the local and District levels. Campaign ends May 31, 2009.

Awards will be presented at the 2009 International Conference.

## WHAT IS CPI?

The association now known as Credit Professionals International (CPI) was established in 1937 for individuals working in the credit industry. CPI's focus is on strengthening the credit industry and the individual through education and interaction. Our mission is to support our members by providing opportunities for networking, career development, and community involvement.

Membership benefits include this educational manual with articles written by outstanding members of the credit industry; a website—[www.creditprofessionals.org](http://www.creditprofessionals.org)—that has a special members-only section loaded with helpful information; local monthly meetings with educational speakers, programs and networking opportunities; and the opportunity to attend state, district and international seminars and conferences.

Members also receive *The Credit Professional*—an annual 40-page magazine filled with articles relevant to those working in the credit industry; the online CPI Membership Directory; the Pre-Conference and Post-Conference capsules; and the August issue of *The Credit Connection* newsletter. Members can subscribe (cost \$15) to receive the three additional issues of this quarterly newsletter, which contains a legislative update and valuable information of interest to every CPI member.

Credit Professionals International also offers a four-level certification program, which provides a vehicle for members to receive recognition for participation in continuing professional development through courses in the workplace, attendance and participation in seminars, conferences, college courses and activities at all levels of the association.

**Visit our website at [www.creditprofessionals.org](http://www.creditprofessionals.org)**

## DESTINATION: EXCELLENCE



I want to thank Jean Jervis for all her efforts in compiling these articles for the 2008-2009 manual, which cover many topics of interest. This manual has been provided to give you an opportunity to use the topics to secure educational speakers for your programs and membership efforts.

I would be remiss if I did not extend a very special “THANK YOU” to Charlotte Rancilio of the Corporate Office for her dedication to Credit Professionals and for lending her knowledge and expertise to every challenge that crosses her desk. In addition to her assistance in layout and editing of this manual and the Post Conference Capsule, she has orchestrated the move of our International Office. A special thank you, also, to the authors for giving of their time, knowledge and expertise in providing the articles.

Last year we were invited to “Invest In Your Future” with CPI. I have chosen “DESTINATION: EXCELLENCE” as a theme and would ask that you continue to use your time and energy to grow Credit Professionals as you seek new growth in your locals and in your personal and professional life.

Excellence knows that being good or even competent is not enough, when just doing more or trying harder will not close the gap. Excellence is simply the only alternative to meet our goal. We cannot know what we can do until we try. It takes courage to push ourselves to places we've never been before, to test our limits and break through barriers. It is my hope that you will each find new directions as you make the efforts to reach your **Destination: Excellence**.

*Esther Brinkley, CA/MPCE  
International President, 2008-2009*

## THE 2008-2009 EDUCATION MANUAL



A couple of years ago I accepted the challenge of running for an International office. I anxiously awaited the year when I could work on putting together the education manual.

With the assistance of many fine authors, this year's manual offers a little bit of everything. It covers topics that challenge our members everyday:

- controlling stress (credit professionals have no stress, or do they?)
- preparing for retirement (yours or the people whom you counsel)
- counseling via a message board
- making your credit department the best it can be
- preparing for that public presentation
- dealing with the challenges of helping people who see payday lending as their only option
- finding an effective way to integrate the credit department with the sales department (you mean those two departments can actually work with each other?) and much, much more.

My thanks to the group of authors that have made this year's manual a reality. Thanks also to the members who suggested these topics and identified authors who are experts in writing on these subjects. And thank you to Kathryn Greiner, AFC/MPCE and Charlotte Rancilio, who assisted with the editing of the articles.

I look forward to working with the officers and chairmen this year as we accept the challenge of reaching "Destination: Excellence."

*Jean M. Jervis, CCCE/MPCE  
First Vice President, 2008-2009*

The PowerPoint presentation can be downloaded from the CPI website, [www.creditprofessionals.org](http://www.creditprofessionals.org) and the Instructor's Guide will also soon be available for download from the website.

### Service to CPI members

The Foundation provides a number of services benefiting the continuing education of CPI members. One of these is the CPI Certification Program, which it helped initiate. The Certification Program encourages members to pursue continuing education, volunteer in their communities, and speak and write on credit-related topics for consumers.

The Foundation also:

- pays a portion of the expenses for running the International office;
- funds the annual *The Credit Professional* magazine;
- supports the CPI website at: [www.creditprofessionals.org](http://www.creditprofessionals.org);
- provides grants to help support community credit education programs sponsored by CPI local associations; and
- participates in the *USA Weekend Make a Difference Day* as a way to provide a positive impact in our communities and gain recognition and visibility on the national level.

For information on sponsoring a Walk-A-Thon or on the "Take Charge of Your Life" program, contact:

Credit Education Resources Foundation  
10726 Manchester Road, Ste. 210  
St. Louis MO 63122  
314-821-9393  
Fax: 314-821-7171  
e-mail: [creditpro@creditprofessionals.org](mailto:creditpro@creditprofessionals.org)

For information on Make a Difference Day, contact the chairman of the Foundation's Marketing Committee: Martha Philip, CCCE [marthaphilip@prodigy.net](mailto:marthaphilip@prodigy.net) or the chairman of the CPI Marketing Committee: Carol Neal, CCBE/MPCE [NCDNeal@aol.com](mailto:NCDNeal@aol.com)

project that would support the educational efforts of CPI members and provide consumers with helpful credit-related information.

After much planning, the Foundation decided, in 1999-2000, to produce a CD/Cassette program. It was a massive undertaking. After the topics to be covered were determined, authors—many of them CPI members—were found to write the lesson plans and the scripts. Terry J. Rowe, CCCE/MPCE, (now a Past International President) and a retained male actor recorded the script in a sound studio in St. Louis and the program “Take Charge of Your Life” was born.

"Take Charge of Your Life" consists of seven lessons to help consumers learn how to manage their money wisely and take charge of their financial future.

The program’s topics include: Getting Started, How Credit Works, Credit and Credit Cards, You and Your Credit Record, You and Your Money Part 1 and Part 2, and Protection Against Fraud.

“Take Charge of Your Life” has been well received by CPI members and both educators and consumers. It didn’t take long, however, for the Foundation board to realize that the program needed to be expanded. Carol Neal, CCBE/MPCE, who, at the time, was moving up the CPI Executive Committee chairs to the presidency, undertook the development of a PowerPoint presentation and a written Instructor’s Guide for the “Take Charge of Your Life” program.

All of these materials have been copyrighted by the Foundation. The CDs and cassettes are available for purchase from the Credit Education Resources Foundation, 10726 Manchester Rd., Ste. 210, St. Louis MO 63122.

## CREDIT COUNSELING MESSAGE BOARD



*by Tracy Harden, PCS*

Can you get reliable advice about credit and personal finances on an Internet message board? You can if you go to MSN's MoneyCentral and check out “Ask a Credit Counselor”.

This is a message board forum that is staffed Monday through Friday from 9 am-9 pm (Eastern Time) by Credit Counselors certified by the National Foundation for Credit Counseling (NFCC). Consumers post questions on the message board, looking for professional, unbiased advice.

The counselors are trained and prepared to answer most questions relating to credit, mortgages, collections, credit reporting, budgeting issues, etc. As many regulations are state-specific, a counselor may not be able to provide an answer that relates to a particular state's statutes, but can refer the question to a counselor from that state that may be able to answer. Counselors also provide web links to the particular state's government pages that may provide that information. As we are not attorneys, we cannot give LEGAL advice, though we can offer referral sources.

Many recent questions have been about how to avoid foreclosure, how to catch up delinquent payments, what to do about an adjustable rate mortgage that's about to—or has just—adjusted. Some want help to decide whether to buy or continue renting. Counselors trained in housing issues are able to provide the information or referral sources to get the information the poster is requesting.

Many postings are about how to correct errors on credit reports or how to improve FICO scores, suitably answered since most NFCC certified counselors have had training in reading and evaluating credit reports. Counselors explain how to get free credit reports through [www.annualcreditreport.com](http://www.annualcreditreport.com) and how to dispute errors. Consumers are guided through the steps needed to improve their credit reports and score.

There are often questions about how to deal with collection agencies and attorneys. As this is a frequent issue for consumers seeking credit counseling, we are familiar with the regulations contained in the Fair Debt Collection Practices Act. With counselors from around the country, we can offer advice on how collections are handled in their state. Often posters are encouraged to contact an NFCC-certified counseling agency in their area to get more personalized advice than is possible to post on an open forum board.

The message board has been in operation for over a year, with counselors from all over the US answering consumer questions. I assisted on the message board three different weeks, two to three hours each day, including “hot-topic” Tuesdays. It makes me feel good to be able to help consumers, without judging them or even knowing who they are. Many people are more comfortable asking questions anonymously, knowing they are getting answers from professionals.

Here are two actual questions and answers:

The Foundation also receives income from personal, memorial and other donations. Although the Walk-A-Thon remains the primary fundraising vehicle, these other donations make up a small but important part of the organization's funding.

### **The Link with NCMEC**

The young Foundation was not well known outside the CPI circle, which hampered the growth of its fundraisers. It was decided that linking up with an international cause could add additional advertising opportunities for the Walk-A-Thons, which, in turn, would increase the volume and give recognition to the Foundation's efforts.

It was decided that an organization serving children would be a good match. The National Center for Missing and Exploited Children (NCMEC) and Child Find Canada—newer organizations working to find missing children—were selected. Hazel Wilson-Knopp met with them and thus came the partnership with the three organizations.

Since CPI no longer has local associations in Canada, the Foundation's partnership with Child Find Canada has ended but it continues with NCMEC. A percentage of the funds earned through the Walk-A-Thons goes to them, a percentage is given back to the association having the event, and the balance stays with the Foundation to further credit education projects.

### **“Take Charge of Your Life”**

The Foundation has funded many credit education materials produced and distributed, over the years, by Credit Professionals International. Its largest credit education effort, however, is the “Take Charge of Your Life” program.

When Past International President Helen B. Sawyers, CCCE, gave the Foundation a substantial grant, the board sought a

## THE FOUNDATION THEN AND NOW

The Credit Education Resources Foundation—commonly referred to as “The Foundation”—is a separate corporation that maintains a partnership with Credit Professionals International (CPI) and is a significant benefit to CPI members and all those they serve through their work and volunteer efforts.

### **The Foundation’s Beginning**

In the mid-1980s, CPI leaders began discussing the value of establishing a 501(c)(3) corporation. This is a federal tax designation for a non-profit organization qualified to accept tax-deductible donations. They envisioned that such an organization could raise funds to support the publication of credit education materials, as well as the credit education efforts of CPI members.

The process to establish the Foundation began in August 1987 at a meeting in St. Louis. The organization was granted its charter in 1989. It is incorporated in the State of Missouri.

The Foundation’s officers and directors—all of whom must be regular or at-large members of CPI—are appointed by the CPI president, who also serves as an ad hoc member of the Foundation’s Board of Directors without a vote.

### **Walk-A-Thon Fundraisers**

Even before the charter was granted, fundraising efforts were underway. The first project put into place to generate funds for the Foundation was the Walk-A-Thon. The first two were held in 1988. One was in Calgary, Canada, and was sponsored by the local association of then International President Hazel Wilson-Knopp, CCCE, and in Twin Falls, Idaho, by the local association of then District 10 Credit Professional President Terry J Rowe, CCCE/MPCE. Today, the Walk-A-Thon program continues to bring in a steady income for the Foundation.

### **(1) Poster’s question:**

*Here’s my situation and question of whether or not to file bankruptcy. If so, will I qualify for Chapter 7?*

*I currently have 70K (yes--\$70,000) in debt via three credit cards and one personal loan (a line of credit to be exact). The 70k debt does not include my car, my house (own), or two small balances on a department store credit card and a gas card (both under \$1,000). I do not have any late payments/or past due amounts on any of my accounts and have a history of 12+ years of excellent credit (Experian credit score 712).*

*Just to explain how I got in this situation, I made six figures a year from 1995-2003. In the summer of 2005, I became sick, including diagnosed with cancer in 2006, and continuing health problems through 2007. I spent approximately 60k from my savings account paying medical bills for 2005 and 2006, and then resorted to living off my credit cards while on short-term disability and still paying medical bills. My current income is 75k. Should I start making late or no payments on my credit cards and keep my home/car payment current?*

### **Posted answer:**

*I hope 2008 finds you in better health!*

*My advice is to contact a certified counseling agency ([www.nfcc.org](http://www.nfcc.org)) and set up an appointment. Make sure when you call to ask that they are US Trustee certified. The counselor will do a thorough and professional review of your current situation, including budgeting and any arrangements that can be made with your creditors. If it is determined that bankruptcy is your only option, they can then issue you the certificate needed for pre-filing bankruptcy. The bankruptcy reform laws of 2005 require your attendance with a certified counselor prior to filing either chapter 7 or 13 bankruptcy relief. Hopefully, the counselor can arrange a repayment plan that fits your budget, but, in any event, they will inform you of all your options.  
Best of luck—NFCC-Michelle*

**(2) Poster's question:**

*I am seriously delinquent on a Citibank card that is charged off. I do, however, have a current Citibank/Sears and Citibank/Dell account paid in full—never late, established for the last 5 years. Citibank closed my Sears account and commented on my credit report "closed by grantor". Is this a negative marking? It shows paid as agreed, never late, etc, but does the fact that they closed it and not me affect my credit score? I was trying debt validation with the main charged off Citibank account and I guess I sparked some interest and they found these other accounts and closed them. Thoughts? Thanks, Mike*

*Hi Mike:*

*The "closed by grantor" update has some negative connotation for those that read and interpret the credit report information, because they'll wonder why the account was closed—if they haven't already seen the problematic Citibank account listing.*

*It may also create a change in your debt ratio calculation, which could cause a drop in your score. You see, when they closed the Sears account, it also eliminated the credit limit from your "available credit" amount, overall, and may cause any "owed amounts" to be compared to a smaller "availability amount". The amount you owe compared to the amount you have available can impact 30% of your score calculation.*

*These are the factors calculated for your credit score:*

- 1. Payment History (35%)** Late payments, collections accounts, judgments, student loan defaults, or any other matters of public record will bring the score down. The more recent the problem, the more it can lower the score. A 30-day late payment during the last 12 months can hurt your score more than a bankruptcy that was filed five years ago.
- 2. Outstanding Debt (30%)** It looks favorable to have some open accounts, but not so good to max out credit limits on credit cards. A low balance on two cards is better than a high balance on one card.

## **PROFESSIONAL CREDIT CERTIFICATION**



**Take advantage of the CPI certification program and gain recognition for your efforts in pursuing professional development through continuing education and leadership activities.**

**You can advance your career through four levels of professional credit certification:**

- ◆ **Professional Credit Associate**
- ◆ **Professional Credit Specialist**
- ◆ **Professional Credit Executive**
- ◆ **Master Professional Credit Executive**

**For an application form and additional information, contact:**

**Nona Ellzey, MPCE  
915 West Lake Dockery Drive  
Jackson MS 39272  
Phone/Fax: 601-372-7931.  
Email: nonacpi@bellsouth.net**

**Go to the CPI website to download the new brochure:**

**Professional Credit Certification:  
The Key to Your Future**

**[www.creditprofessionals.org](http://www.creditprofessionals.org)**

## **DESTINATION: EXCELLENCE**



International. Fields include, but are not limited to:

- Collections
- Credit Counseling
- Banking
- Mortgage Industry
- Credit Management

### **How do I apply for certification?**

Download the Professional Credit Certification application from the Credit Professionals website at [www.creditprofessionals.org](http://www.creditprofessionals.org)

Complete the application form, attach documentation and mail it to:

**Nona Ellzey, MPCE**  
**915 West Lake Dockery Drive**  
**Jackson MS 39272**

If you have any questions, e-mail her at: [nonacpi@bellsouth.net](mailto:nonacpi@bellsouth.net)

## **\$\$ Take Charge of Your Life \$\$**

**This 73 minute audio program covers the basics of money and credit management**

Tape	CD
1-5 copies \$11.00 each	1-5 copies \$15.00 each
6+ copies \$8.00 each	6+ copies \$12.00 each

Download, at no cost, the Instructor's Guide along with a 70-slide PowerPoint presentation from the CPI website:

**[www.creditprofessionals.org](http://www.creditprofessionals.org)**

Mail orders, with check, to the CPI Corporate Office,  
525-B N. Laclede Station Road., St. Louis MO 63119

Or e-mail orders to [creditpro@creditprofessionals.org](mailto:creditpro@creditprofessionals.org) and pay via PayPal, available on the CPI website.

3. **Length of Credit History (15%)** The longer your accounts have been open the better.
4. **Inquiries (10%)** Applying for new lines of credit may hurt your score. Ordering your own credit report doesn't hurt you, and neither do the promotional pre-approved credit card offers.
5. **Types of Credit in Use (10%)** Loans from Finance Companies generally lower your score, especially when there are no other types of credit reported. So...yes, it will have some impact.

*Paying the previous Citibank account that is in bad-debt-status will be incredibly important for getting you back on the road to a better score and situation! Keep working at it!*  
NFCC-Linda13

*Thank you "Linda13". I have been working hard on my three delinquent accounts. Mike*

As with most forum boards, anyone can post questions or answers, which means other Credit Professionals are welcome to ask questions or offer advice. We appreciate other industry professionals adding their advice, especially in areas that the counselors currently manning the board may not be as well informed. To find the message board, go to <http://moneycentral.msn.com/community/message/board.asp?Board=AskACreditCounselor>

### **About the author**

*Tracy Harden, PCS, has been a counselor at Consumer Credit Counseling Services of Yakima Valley since June 1995, and is now Senior Counselor. She earned her Certified Consumer Credit Counselor (CCCC) designation from the National Foundation for Credit Counseling (NFCC) in October 1996, and has since renewed twice.*

*Her membership in CPI has been instrumental in helping her to keep current with changes in the credit industry. It also has given her opportunities to earn the necessary continuing education points for re-certification.*

*She became a member of Yakima CPI in 1996 and received her Professional Credit Specialist (PCS) certification from CPI in May 2002 and renewed it in 2008. Active in CPI, she has held offices at both the local and district levels, recently serving as District 10 President in 2007-2008.*

*She is married, with two adult children, and enjoys karate, ballroom dancing and gardening.*

*You can contact her at [counsel@cccsyakima.org](mailto:counsel@cccsyakima.org).*

## **INTERNATIONAL CONFERENCE**

### **CREDIT PROFESSIONALS INTERNATIONAL**

**JUNE 18-21, 2009**

**Silverdale Washington**

**Silverdale Hotel on the Beach**

**Come join us for  
Education  
Business Meeting  
Networking  
Entertainment**

**Hosted by District 10**

**Aces for Credit—Raising the Stakes**

background, work experience, continuing education pursuits, involvement in professional organizations, and leadership skills.

### **Why is certification important to me?**

Certification:

- Showcases your expertise
- Helps you advance your career
- Recognizes your accomplishments
- Encourages you to set career development goals
- Stimulates you to take an active role in your profession

### **Who offers certification?**

Credit Professionals International (CPI) is the primary organization that offers an excellent certification program to anyone working in the credit industry. Founded in 1930, CPI has long recognized the value and importance of education, experience and leadership skills to those with careers in the credit field.

### **How does the certification program work?**

CPI offers certification at four levels:

- Professional Credit Associate (PCA)
- Professional Credit Specialist (PCS)
- Professional Credit Executive (PCE)
- Master Professional Credit Executive (MPCE)

Those certified at a lower level can apply to upgrade their certification. All certified professionals must recertify every five years.

Applications for certification are reviewed and approved by a CPI leader holding the Master Professional Credit Executive certification. A small fee is charged for processing a certification. Those approved receive a certificate suitable for framing.

### **Who is eligible for certification?**

Anyone who works in the credit industry is eligible to apply for certification in the program offered by Credit Professionals

## PROFESSIONAL CREDIT CERTIFICATION

### THE KEY TO YOUR FUTURE

Most members of Credit Professionals International have noticed the designations PCA, PCS, PCE, and MPCE attached to the names of fellow members and many have wondered what they mean.

These designations indicate that the person has achieved a specific level of certification. They are awarded through the CPI Professional Credit Certification program.

Every CPI member is eligible and encouraged to become certified. Not every CPI member, however, is familiar with the certification program and its benefits. Here, therefore, are answers to the most commonly asked questions about the CPI Professional Credit Certification program.

#### **What is certification?**

Professional certification is a means of verifying, through a third party, your undergraduate and graduate education, work experience, continuing education efforts, published works, speaking engagements, and involvement in professional organizations.

#### **What is the purpose of certification?**

Certification enables you to make your clients, customers, colleagues, employers and others with whom you do business aware of the knowledge and skill you have invested in your career in the credit industry.

The certification designation behind your name, on your letterhead and on the certificate displayed on your wall signifies your expertise in your profession.

When someone asks what the certificate or the designation means, you can then tell them about your education

## THE PROS AND CONS OF PAYDAY LOANS



*by Beth Blanco, AFC*

Payday loans are expensive cash advances that must be repaid by the customer's next payday. They are loans given that are based on the borrower's personal check held for future deposit or electronic information for repayment. This means that the payday lender has your routing and checking account information and will withdraw funds from your bank account for payment. Borrowers write a personal check for the principal plus fees and receive cash from the payday lender instantly.

Payday loans range in size from \$100 to \$1,000 based on your state's regulations. The average loan term is approximately two weeks. These loans are made by payday loan stores, check cashers, pawnshops and some rent-to-own companies. Loans are also marketed via toll-free numbers and over the Internet. By the end of 2006, there were about 25,000 payday loan outlets in the U.S. with annual loan volume of at least \$28 billion. Approximately \$5 billion in loan fees are paid by consumers. According to the 2007 movie, "Maxed Out," many payday loan companies are bankrolled by major banks.

According to information obtained from [www.michigan.gov](http://www.michigan.gov), payday lenders have become a topic of controversy mainly because they charge “fees” instead of “interest”, which allows them to make profits much higher than legally allowed for other credit lenders. Their “per transaction fee” can exceed 700% when calculated into an annual percentage rate versus the cap of 25% permitted for loans under Michigan’s usury laws.

For example, let’s compare a credit card cash advance to a payday loan, and assume both will be paid in one month. This credit card has a 15.99% annual percentage rate (APR) for purchases, but cash advances are calculated at 19.99% for the following example. According to [www.bankrate.com](http://www.bankrate.com), cash advances usually cost an up-front fee of 2% to 4%, so let’s use a fee of 3% for this example.

If a \$300.00 cash advance is taken from this credit card, it would cost a \$9.00 fee ( $\$300.00 \times .03 = \$9.00$ ), plus \$5.15 in interest ( $19.99\% \text{ APR}/12 = .0166583 \times 300.00 = \$5.15$ ) for a total of \$314.15. This assumes there is no other balance on the credit card and the balance is paid within one month. By comparison, a \$300.00 payday loan costing \$17.50 per \$100.00 borrowed would cost \$105.00 for one bi-weekly renewal ( $\$17.50 \times 3 = 52.50 \times 2 = \$105.00$ ) for a total of \$405.00 if paid back in one month.

An article in the March 2007 issue of *Credit Union Magazine* stated that the top five reasons borrowers use payday lenders are:

1. Quick Approval
2. Affordable
3. Near home or work
4. Respectful of borrowers
5. Other services available, such as check cashing and money orders

The article also pointed out that most borrowers that use payday lenders are thankful for the help. They often feel unworthy or

### ***About the author:***

*Over the course of a financial services career spanning more than 15 years, Susan Franke has been employed by a variety of companies offering financial planning and income tax preparation. These included large firms such as Coopers & Lybrand (now PricewaterhouseCoopers) in Oakland, CA, and smaller employers such as Larry E. French & Associates, in Ann Arbor, MI. Prior to moving to Michigan in December of 2001, Susan worked with two CPA/CFP firms in Connecticut and Rhode Island. Her responsibilities included income tax preparation and financial planning projects for small business owners, corporate executives, and individuals.*

*Raymond James & Associates, at 350 South Main Street, in Ann Arbor, has been Susan’s employer since September of 2003. Headquartered in St Petersburg, Florida, the firm encourages a comprehensive financial planning approach when working with clients. Much of Susan’s work involves providing financial guidance for people whose lives are in transition—whether due to retirement, a death in the family, divorce, or job/career change.*

*Susan recently obtained her Wealth Management Specialist designation and is currently working towards achieving the Certified Financial Planner designation. She holds Series 7, Series 66 and Michigan Life, Health, and Disability insurance licenses. She can be reached at 800-338-7846.*

Income from government, military, private pension and other retirement plans is growing increasingly important to the survival of retired individuals. Some states exempt all such pension income from taxation, while others exempt certain types or place limits on non-taxable pension income.

Some states even tax former residents on retirement plan withdrawals, creating the possibility of paying income tax in two states. Some states follow federal tax formulas for taxation of Social Security benefits, others have their own formulas, and some tax benefits not at all.

Sales and property taxes must also be considered. Again, some states offer property tax advantages to retired seniors while others provide homestead exemptions. Retirees should consider sales taxes when estimating their retirement budget for such items as clothing, household goods, food and drugs.

It is also important not to overlook the effect of estate taxes upon the surviving spouse. Some states do not provide an unlimited marital deduction. Property ownership laws must also be examined in this area when considering the distribution of possessions upon death. Changes in these laws must be monitored, as many states will attempt to make their financial environment more appealing to retirees.

All retirees weigh the cost of living, weather, nearness to relatives and recreational opportunities in their decision to settle in their retirement community. The tax climate should also be examined to analyze the financial situation during retirement. Working with an experienced financial planner, as well as a tax advisor, is often recommended to those looking for a retirement home.

unwelcome at traditional institutions. A Georgetown study shows that 51% of the borrowers have incomes between \$25,000 and \$50,000 annually, and 36% are under age 35. They are typical of customers of other financial institutions as well.

Consumers often turn to payday lenders when a crisis strikes and expect to be able to pay it back right away. The problem is that whatever caused them to borrow will probably come up again. Most people need all they earn to cover bills and immediate needs. Payday borrowing puts the consumer behind when the loan repayment uses money needed for current bills. For consumers paid every other week (26 pays per year) it would take six months to make up the one check used to pay back the payday loan. This is because once in a six-month period, there would be one month with three pay periods.

Payday loans are available via the Internet also, which increases the ease and dependence on them. Loans are direct deposited into the borrower's bank account and withdrawn on the next payday. Many of these loans are structured to automatically renew every payday, creating a fee with each transaction. These can be especially difficult to stop because it all happens electronically.

A member I counseled recently had borrowed \$300.00 from an Internet payday lender. The fee to extend the loan was \$90.00 every two weeks, which gobbled up the money she needed to repay the principal. There were three payment options available:

1. The loan could be refinanced every two weeks. The fee would be \$90.00 for every renewal, which did not reduce the balance. There was nothing that told how long this option could go on.
2. You could choose to pay down the principle in increments of \$50.00, which would be in addition to the \$90.00 fee every two weeks until the loan was paid in full. (This means it would cost  $\$300/\$50 = 6$  payments or 3 months if paid bi-weekly, plus the fee of  $\$90 \times 6 = \$540$  in fees, for a total of \$840 to pay back the \$300 borrowed).

3. Pay off the full balance of \$390.00 (\$300.00 borrowed plus \$90.00 fee).

Options 2 and 3 required written notification by fax at least three business days before the next payment was due. There was no payment address listed on the contract, and when we called to talk to them about the loan, the call went directly to a voice mail system. The internet payday loan company never returned my call.

What is the positive side of payday lending? It is a profitable business, providing jobs throughout the country. According to an article published in the *Wall Street Journal*, February 22, 2008, "The Good and Less Good Sides of Payday Lending for the Poor," the market satisfies needs, it doesn't create them. Payday lenders are located in certain neighborhoods because traditional banks ignore those areas. The article also stated that to imply that payday lending causes financial problems is like blaming the tow truck for breakdowns. If consumers did not seek out payday lenders, they would not exist.

Some traditional lenders have created a less expensive alternative for their customers that want payday loans. For example, one credit union created "Payday Loans 4 Less" to compete with a traditional payday lender across the street. Members can borrow up to \$700, not to exceed 60% of their net income. There is an application fee instead of interest, which is \$25 for first time borrowers, and \$50 for repeat transactions. They market their product with a banner across the front of the building, as well as signs and posters in the lobby and parking lot. Instead of performing a traditional credit check they use Teletrack, a credit bureau for subprime lenders. This allows for a processing time of 20 minutes or less. This program fulfilled a need at that particular location, and, as of this writing, is still running.

Another example of credit unions competing with the payday lending market is Prospera Credit Union in Appleton, WI. They teamed up with their local Goodwill Industries and created a program called "GoodMoney" in June 2005. They make loans

7. Social Security disability benefits do not continue past Normal Retirement Age. The month before you attain normal retirement age the disability benefits are automatically converted to retirement benefits.
8. There is a limit to the amount of benefits that can be paid on each Social Security record called the Maximum Family Benefit, **generally** around 150 to 180 percent of the worker's benefit. If this limit is exceeded, the family benefits are reduced.
9. Ex-spouses, widows and divorced widows may all be eligible for benefits on a spouse's record. Provided the requirements are met, they may even all be collecting on the same worker's record.
10. There are two Social Security trust funds: one used to finance retirement and survivors benefits and the other used to finance the disability program. Money not used to pay current benefits is invested only in U. S. Government Treasury bonds.

Social Security is a significant resource for many retired individuals. Spend some time with your financial planner learning about what part these benefits should play in your retirement planning future.

### **Retirement Tax Havens**

Financial planning is really life planning. Choosing a home, particularly a retirement home, involves many factors. With state and local taxes on the rise, retirees should look closely at tax matters when formulating their retirement financial plan.

Retirees who plan on continuing to work in their "golden years" should know that state taxation of such income varies widely. Some states give retirees favored treatment on earned income, some treat retired seniors like everyone else, and some impose no tax at all on earned income. Taxation of investment income shows nearly as much variation between states. Retirees in a new domicile must also watch out for unexpected municipal income taxes.

1. Social Security benefits do not automatically start coming in the mail the first day of Normal Retirement Age. They must be applied for. The easiest way is to set up an appointment with the local Social Security office or call 1-800-772-1213.
2. To get an official statement of all the earnings recorded in your Social Security account, an estimate of your current disability and death benefits, and an estimate of future retirement benefits, fill out a *Form #7004 Request for Social Security Statement*, obtainable at your local office.
3. If you do not find and correct errors in your Social Security record within 3 years, they become part of your permanent record. Therefore, you might want to check on them every 3 years or so.
4. You can work during retirement, but if you earn too much it will reduce the size of the benefits you are receiving from age 62 up to your Normal Retirement Age. The limits on such earnings are currently \$13,560 for 2008. Benefits are reduced by \$1 for every \$2 that you earn over this amount. After you attain your Normal Retirement Age, you may work as much as you want with no reduction in benefits, although they may become taxable if you earn too much.
5. You can increase the size of your retirement benefit by delaying collecting your benefits and by remaining on the job past full retirement age. This higher benefit comes from extra earnings toward your account and a credit awarded for this patience, ranging from 3 percent to 8 percent of your benefit depending on your date of birth.
6. For people born after 1937, Normal Retirement Age will increase. For example, if you were born in 1940, full retirement age is 65 and 6 months; born in 1950, it is 66. Anybody born in 1960 or later will be eligible at age 67.

from \$200 to \$700 at a fee of about \$9.90 per \$100 borrowed. They set aside about half of that fee income for loan loss reserves and operational expenses. In 2007, Prospera Credit Union was awarded the Herb Wegner Award from the National Credit Union Foundation (NCUF) for their partnership with Goodwill Industries on the “GoodMoney” Program. They also received a grant for \$75,000 in support of their alternative to payday lending. According to the program’s director at Prospera Credit Union, they have served over 1,300 people with 9,500 loans, the majority being new members. To date, this program has saved members over \$500,000 in fees.

Both of these credit unions offer free financial education for members that want it. In an effort to build trust, they do not require the education. Pushing members too hard could turn them back to traditional payday lenders.

Even with alternative programs, payday lending is still controversial due to the difference between interest and fees. Borrowing the next paycheck to pay today’s expenses means you will be short for other expenses in two weeks. The best way to get out from the cycle of payday loans is to begin to set aside for the things that make us borrow, which tend to be home and car repairs, travel and holidays.

***About the author:***

*Beth Blanco, AFC, is a budget counselor for the University of Michigan Credit Union. As a budget counselor, she helps members analyze where their money goes, then develop a plan for spending, bill paying and saving. Beth helps members with serious financial problems as well as reviewing credit reports and teaching others how to manage a budget. She also writes articles for the credit union’s newsletter and has done various presentations for school-age children through adults on budgeting, the wise use of credit and identity theft. She brings to her career a variety of knowledge from lending, accounting and*

*investment services. She also opened a debt management business in 2005, Consumer Credit Counseling of Lenawee, in which she assisted customers with their bill paying and negotiations with creditors.*

*She received her Bachelor of Arts in Business from Siena Heights University in 2005, and is now working on her M.B.A. at Baker College. Beth recently completed her Accredited Financial Counselor certification from the Association of Financial Counseling and Planning Association.*

*Beth joined Credit Professionals of Ann Arbor in 2006. She is serving as the Credit Education Committee chair and also assists the Education Committee in selecting topics and presenters for CPAA's monthly meetings.*

*She has two children and four cats, and resides in Adrian, MI.*

2. Carefully time your first retirement paycheck. It may result in a larger paycheck. And, you may be able to retire sooner than you think. For example, the recent decline in interest rates has triggered a significant increase in the lump sum retirement benefit for many pension and defined benefit plan participants.
3. Estimate the size of the retirement paycheck you will need. It is important to do some cash-flow projections. These will allow you to match the size of your retirement paycheck to your expenses. It also helps determine the frequency with which you should take your retirement paycheck, such as monthly or quarterly.
4. Pinpoint how much you can afford to pay yourself. The goal here is to pace your paychecks to avoid running short of money during retirement. Experts do not agree on one "safe" withdrawal rate. However, they do agree that your annual withdrawal rate generally should not exceed your average annual earnings rate.
5. Target the initial Asset Allocation you should maintain in retirement. The factors discussed above, such as the source of your retirement paycheck and your cash-flow requirements will influence your initial asset allocation. A general recommendation is to hold three to four years' worth of retirement paychecks in cash and cash equivalents.
6. Determine whether to draw your paycheck from taxable accounts, tax-deferred accounts or a mix of both. The rule of thumb is to spend down your taxable accounts first. This permits your tax-deferred accounts to continue their tax-deferred or tax-free (as with Roth IRAs) growth.

### **Ten Things You Might Not Have Known About Social Security**

Social Security is a lot like the ozone layer—we all know it's there now and we count on it being there in the future. Yet most people don't know much more about it than that. Here's a short list of interesting facts about Social Security.



## FINANCIAL ADVICE FOR PRE-RETIREEES



by Susan S. Franke

*(editor's note: Whether your retirement is two years or ten years down the road, Susan Franke's advice on retirement income, Social Security, and taxes will help you plan and direct your financial future. We have combined three short articles by Susan to provide you with this useful information.)*

### **Planning Your "Retirement Paycheck"**

What could be more comforting than a dependable, consistent paycheck in retirement? You can give yourself the opportunity to enjoy an attractive retirement income stream, month after month. But, planning to optimize your retirement income stream is just as critical as planning to accumulate your retirement nest egg. Here are some steps you can take to help you plan to optimize your retirement paycheck.

1. Identify the source(s) of your retirement paycheck. You will most likely receive income from several sources including Social Security, a pension or 401(k), an IRA, a taxable investment account or annuity.

## GETTING ALL THE BUTTERFLIES GOING IN THE SAME DIRECTION



by Linda Bridgeford, CCCE/MPCE

You have been asked to give a speech and you are terrified. Nervousness (butterflies in your stomach), speech anxiety, stage fright are all parts of not wanting to stand up in front of an audience and speak. Actually, feeling nervous before a speech is healthy. It shows that your speech is important to you and that you care about doing well. My experience is the more speeches you prepare and give the easier it will become. Before long you will not think about those butterflies in your stomach, and you can convey your message with ease. I am going to give you hints in this article to help you in preparing and giving your speech.

The first thing you should decide is the topic you are going to speak about.

In preparing your speech, you need a dramatic opening that captures your audience's attention and leads into your topic. Your opening can be a question, a story, or a statement.

When writing your speech, think about your audience and whom you will be speaking to. Also, write your introduction and give it to the person who will introduce you to the audience. Your introduction should tell the audience about your expertise and background information. This should also set the mood for your topic. You want the audience asking to hear more.

The body of the speech should contain at least three points you want to express about your topic. Each point should be stated, illustrated and supported. Act as though your audience is not at all familiar with your topic; don't assume they know anything. Devote a similar amount of time to each main point; otherwise the audience may consider it less important. Arrange your points in logical order. Think about the words you will be using. You don't want to use words your audience does not understand. Think about telling a story to illustrate your point. Everyone likes a story.

The conclusion is a review or summary of your speech. Summarize your points to review what you speak about. Tie your conclusion back to your opening.

What I usually do is prepare the body of the speech first and then go back and think about the opening and conclusion later.

Once you have your speech prepared, the next step is to PRACTICE, PRACTICE, PRACTICE. The reason you need to practice is to add pauses where you need to and make your audience think about the point you are trying to make. If you are telling a story in your speech, you need to practice to put emphasis on certain punch lines etc. When you practice, you need to think about your vocal variety, your gestures, the words you are using and, if you are using visual aids, to make sure you present them when and how they are the most important.

Visual aids can be powerful tools for effective communication. You are encouraged to use them whenever they might enhance a speech. A big plus for using visual aids is that you remember

*About the author:*

*Douglas Mueller is Vice District Governor for the Lions Clubs of District 24D in Southeastern Virginia and a past member of the Project Lifesaver Board of Directors, where he still serves on the technology committee. He has over thirty years experience in electronics technology.*

**WHERE CAN A CPI MEMBER FIND:**

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**Fellow CPI Members**

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**[www.creditprofessionals.org](http://www.creditprofessionals.org)**

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To Keep Abreast of  
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**DESTINATION EXCELLENCE**

As stated, the startup costs for Project Lifesaver—at less than \$8,000—are less than the cost of a single “non Project Lifesaver” search. This includes equipment, training and support for the Public Safety or other Government agency becoming involved. Bracelets are acquired at a cost of \$275.00 each and monthly battery cost is approximately \$9.00. Battery changes are accomplished by representatives of the local Project Lifesaver organization, giving another opportunity to gain the trust of the client and their family and further ensure that the bracelet is operational at all times.

One of the many goals of Project Lifesaver is to increase awareness that the program exists and that it works. As the number of persons diagnosed with illnesses that can cause wandering rises, families become increasingly concerned with finding ways to keep them safe. Project Lifesaver relies upon Internet searches, adjacent jurisdictions, civic organizations, church groups and others to spread the word.

Project Lifesaver has been endorsed by the National Sheriffs Association, Alzheimer’s Foundation of America, International Society of Crime Prevention Practitioners, and the National Council of Certified Dementia Practitioners. Project Lifesaver does save lives. It does prevent injury. It prevents clients from having to be warehoused in secure care facilities. It allows caregivers the ability to sleep at night or to leave home to work confident that their loved one is safe and protected.

The bottom line is simple. If you were given the opportunity to play a part in saving the life of an elderly person or a handicapped child—would you allow it to pass by? Could you turn away? Today, right now, you are being presented with that opportunity. You have the opportunity to help spread the word about a program that saves lives. *What will you do?*

**[www.projectlifesaver.org](http://www.projectlifesaver.org)**

what you want to convey to the audience without memorizing the information.

There are five important benefits of visual props:

1. **They increase understanding.** Most people are visual. Most of us learn with our eyes and not our ears.
2. **They save time.** Information presented in this form is received and processed by the brain faster than a verbal message. Visual aids are especially useful in helping people quickly understand complex or abstract ideas.
3. **They enhance attention.** People remember an average of about 10% of a spoken work a week after it’s presented. However, they remember up to two thirds of what they both see and hear.
4. **They promote attentiveness.** People think much faster than you speak, so their minds tend to wander during a speech. Visual aids help them keep focused and add variety and interest to your presentation.
5. **They help control your nervousness.** Displaying visual aids gives you physical activity that lets your body process nervous energy without distracting the audience.

Visual aids can be physical objects, props and models, charts and posters, flipcharts, overhead transparencies, 35mm. slides and LCD panels. Your choice should depend on several factors, including:

- The information you wish to convey
- The size of your audience
- The physical environment (the meeting room)
- The equipment available to you
- The time available to prepare your visual aids
- The amount of money you can afford to spend.

When using visual aids, make sure they are visible and keep them simple. When preparing visuals, make the letters large—a good rule of thumb is one-half inch for each 10 feet between the visual

and the farthest audience member. Print neatly, keep lines horizontal, and use plenty of spacing between words. Avoid standing in front of the visual and display it high enough for all to see.

Your speech is now prepared and practiced. The next step is the day of your presentation.

1. **Know the room.** Become familiar with the place in which you will speak. Arrive early and walk around the speaking area. Stand at the lectern and speak into the microphone if you will be using one. If you'll be using visual aids, practice with them. Walk around the area where your audience will be seated. Walk from where you'll be seated to the lectern, as you will when you're introduced.
2. **When your audience arrives,** greet and chat with some of them. It is easier to speak to a group of friends than to strangers.
3. **Use the technique of "Call and Response"** to engage and include your audience. "How many of you have children? (Wait for response.) How many of you are children?" (Wait for laughter!)
4. **Know your material.** If you know your material, you will feel comfortable and be able to present it with ease.
5. **Include your audience** through generous eye contact that shows you see them as individuals.
6. **Remember that the shortest distance** between people is often a smile. When you smile at someone, they should smile back.
7. **Look your best.** Dress appropriately for the occasion. If you look good, you will feel good—and it will show!
8. **Relax.** You can ease tension by doing exercises. Do some breathing exercises by breathing in slowly and then slowly exhaling. You can also do some physical exercises. Stand straight, arms extended over your head. Then bend over and touch your toes. To relax facial muscles, open your mouth and eyes wide, then close them tightly.

*CHESAPEAKE, VA, 1999: Dementia client located under stairway, in closet, of apartment building approximately 200 yards from home.*

*VIRGINIA BEACH, VA, 2000: Down's Syndrome client located sitting in a neighbor's garage, approximately ½ mile from home. Neighbors were away on vacation.*

*KALAMAZOO, MI, 2007: Autistic child located in neighbor's home. Approx ¼ mile from his home. Neighbors away on trip.*

Today, there are approximately 18 million persons who have Alzheimer's worldwide. Projections estimate that more than 50 percent of them will wander at some point and that 20 percent of those will die if not found in time. One of every 150 children born will have an autism related disorder. Both children and adults with autism wander and are attracted to water, with drowning being a leading cause of death among the autistic. Children have a natural urge to explore their environment and for children with Down's Syndrome this urge may last into their primary years and is coupled with a tendency to be trusting of everyone that they meet. They are easy prey. According to the National Down's Syndrome Society, over 350,000 people in the United States are affected by Down's Syndrome.

Project Lifesaver is a Non-Profit 501(c) 3. They receive no funds from any federal agency. Many jurisdictions receive assistance from the communities, individuals, businesses and civic or social groups. In this writer's own community, Lions Clubs have banded together to bring Project Lifesaver to a local county Sheriff's department. On a larger scale—since Project Lifesaver and Pilot International share a common mission of promoting the safety of persons with dementia—they have joined forces to better serve their communities. These are only two examples of partnerships formed to aid in bringing this life program to a geographic area.

*SNOHOMISH COUNTY, WA, 5/17/2005: Our Project Lifesaver team was activated to locate a client who is 79 years old, Romanian (speaks no English) and is a midterm Alzheimer's patient. The caregiver indicated that he was last headed for a bus stop near their home. Inbound units were advised of this and routed into the scene on major bus routes. One (northbound) unit picked up the (Project Lifesaver) signal on a southbound transit bus as it passed him approximately 5 miles from the point last seen. The search unit turned around and followed the bus until dispatch was able to contact Community Transit and have the bus stopped. Deputies boarded the bus, located the client and returned him to his home. Recovery time from the start of the call: 20 minutes.*

What else is out there and why not use it? There are other systems and other providers available claiming to provide similar services. None are Public Safety based. None have the reliable modern technology and specially trained personnel of Project Lifesaver. Early in the history of the program, other technologies, such as GPS based systems, were looked at by Colonel Gene Saunders, CEO of Project Lifesaver International, and were rejected due to limitations caused by power consumption and interference that can occur in dense foliage, indoors and with heavy cloud cover. Every effort has been made to ensure the reliability of this system. Said Colonel Saunders, "When someone's life is on the line, I want something that I know is going to work."

Today Project Lifesaver is implementing what is called digital multi-mode operations. This equipment has been pioneered for use by Project Lifesaver and combines the use of Radio Direction Finding, GPS and Cellular radio signals to make maximum use of technology advances in GPS and Cellular without compromising the unqualified reliability of Radio Direction Finding.

9. **Visualize yourself giving the speech.** When you visualize yourself as successful, you will be successful.
10. **Realize that people want you to succeed.** Audiences want speakers to be interesting, stimulating, informative and entertaining. They want you to succeed, not to fail.
11. **Don't apologize during your speech.** If you are nervous or if you have problems during your speech, you'll only be calling the audience's attention to it. Had you remained silent, your listeners may not have noticed anything.
12. **Concentrate on your message.**
13. **Turn nervousness into positive energy.** The same nervous energy that causes platform panic can be an asset to you. Show enthusiasm in giving your speech.
14. **Give up the belief that you have to be perfect.** Even professional speakers run into glitches and problems from time to time. Keep small setbacks in perspective.
15. **Gain experience.** Experience builds confidence, which is a key to effective speaking. Most beginning speakers find their anxieties decrease after each speech they give.

By following some of these suggestions and, most importantly, by RELAXING and getting those butterflies going in the same direction, your nervousness will disappear and you may actually find that you enjoy speaking in front of an audience.

All of my information is from The Toastmasters International Inc. *Communication and Leadership Program*. For more information or information on joining a club near you, visit [www.toastmasters.org](http://www.toastmasters.org)

#### ***About the author:***

*Linda Bridgeford, CCCE/MPCE, is a Past International President of Credit Professionals International. She has been a member of CPI since 1986. She has been District President twice of two different districts and District Credit Professional of the Year of two different districts. She is Past President of Creditors*

*International of Great North Central District. She was presented with the Creditors International Distinguished Service award for 2006-2007.*

*Linda received her certification of CCCE in 1990 and Master Professional Credit Executive in 2003.*

*Linda has been a member of Toastmasters International since 1995. She has received her CTM (Competent Toastmaster), ACB (Advanced Communicator Bronze) and CL (Competent Leader). She was voted Area President of the Year for 1997-1998. She has received the local club Toastmaster of the Year for 2006-2007.*

*Linda has been employed by the Moline Dispatch Publishing Co. LLC since 1977. Since 1986, she has been Credit Manager/ Customer Service Supervisor.*

*Linda and husband, Steve, live in Rock Island, IL*

received regardless of the position of the bracelet and works inside buildings and other structures.

*LEXINGTON VA 1/23/2005: Officer Mike Frost was dispatched to the residence of a client who had wandered. Officer Frost was en route to the call when he picked up the (Project Lifesaver) signal before ever arriving at the home. He exited his vehicle and tracked the signal for ¼ mile and located Mr. S behind a residence. This was a great effort due to the fact that this was a very cold day (30 degrees).  
Time to find: 14 minutes.*

Combined with the technology are specially trained Search and Rescue teams. These teams are not only highly trained in the methods of Search and Rescue and use of the technology but also in the special skills needed to deal with a person who has Alzheimer's disease or similar disorders. These people, when found, are often disoriented, cold or hot, tired and hungry. They can be anxious and untrusting upon being approached by people they do not know. Project Lifesaver teams are trained in how to approach, communicate with and gain the trust of these persons.

When a participating jurisdiction is notified that a client is missing, Search and Rescue teams report to the location where the person was last seen. The unique frequency of the client's bracelet is tuned into the search team's radios and standard search patterns are initiated. Before Project Lifesaver, search times measured anywhere from hours to days, could involve large numbers of searchers and cost between \$1,500 and \$2,000 per hour or more, and all too often did not end well. Today, Project Lifesaver has reduced the time to locate the missing person to typically under thirty minutes and the number of searchers involved to two or three. For the taxpayer, the benefit is that scarce fiscal and personnel resources are available for use elsewhere. For the caregiver and the person located, the benefit is incalculable. The life of a loved one saved.

*SOUTH WILLIAMSPORT, PA, 12/21/2004: The body of a missing autistic 9-year-old boy, who had wandered away the day before a cold snap, was found Tuesday morning near a mountain road about 1-½ miles from his home, authorities said. Logan Mitcheltree was last seen Saturday afternoon. His siblings told police he had been watching TV with them before he disappeared and was not wearing a jacket. The weather had turned sharply colder Sunday, with temperatures dipping to 10 below zero in parts of the state. "As the hours went on, and the temperature went down, we knew the chances were slimmer and slimmer," South Williamsport Mayor William Miller said.*

Created in 1999 by the 43rd Virginia Search and Rescue Company of the Chesapeake, Virginia, Sheriffs Office, Project Lifesaver combines proven technology with specially trained Search and Rescue Personnel to create a program to safely return clients home. Today, nine years later, Project Lifesaver is active in 640 jurisdictions in 42 states across the United States and is active in Canada. They have participated in 1,639 rescues with a 100% success rate. It is noteworthy that Project Lifesaver defines success as returning the client home alive with no serious injuries.

So how does Project Lifesaver put it all together?

Project Lifesaver relies upon long proven radio technology, called Radio Direction Finding, enhanced by state of the art digital electronics. A client is equipped with a bracelet that is about the same size as a wristwatch. The bracelet contains a transmitter which puts out a radio pulse once each second, twenty-four hours per day, and seven days per week. The search teams hone in on this bracelet's unique frequency using specially designed radio receivers. This method of locating and tracking a person or an object has been in continuous use since prior to World War II and is impervious to interference from weather or other atmospheric conditions. The beacon can be

## **IDENTIFY, REPLY, AND COMPLY? Protect Your Company's Interests in Credit Extension Transactions**



*By Robin Szabo*

Many of the payment problems and legal disputes that we continue to see at Szabo are among the easiest to avoid and the most difficult to resolve. They are among the easiest to avoid because up-front diligence as well as clear policy and procedures for credit extension are usually all that is needed to prevent them. Simply put, knowing exactly who is asking you for credit, responding with timely acceptance or rejection of the request for credit, and keeping records that document and support your decision can save you a lot of heartburn later.

Up-front diligence, as well as proper documentation and record-keeping, not only can halt payment liability disputes in their tracks but also can help you avoid problems regarding compliance with federal law. More on the latter later, but first things first.

### **The Power of the App**

Failure to know whom you are doing business with continues to be, by far, the most common and costly mistake that we see credit



managers make. It is the result of vague agreements that fail to clearly identify the person or entity with whom the business agreement exists and who is therefore responsible for payment.

It is easy to understand how and why insufficient or nonexistent documentation occurs in the urgent and time-compressed media environment. Even so, given the inevitability that someone at some time will cost you dearly for lack of a clear agreement, the argument weighs heavily in favor of establishing one.

Your most powerful tool of the trade for establishing the identity of your customer is the credit application. While a signed contract should, in ideal circumstances, follow a signed credit application, we know that waiting for one can mean losing a sale. In the absence of a signed contract, the signed credit application assumes the starring role.

A good credit application is like a hefty Swiss Army knife. It is compact, it serves multiple and diverse purposes, and in certain circumstances, it can be a lifesaver. The credit application helps you identify the person or entity with whom you are doing business, determine whether or not to extend credit to that person or entity, communicate the terms of the agreement (including your payment liability position), and support your position down the road should it become necessary to do so.

We recommend getting a signed credit application on both the advertiser and its advertising agency. If it is not feasible to get a signed credit application from the advertiser, get written confirmation from the advertiser that the agency is authorized to negotiate and enter into a binding contract on the advertiser's behalf.

### **Apps That Work**

Effective credit applications are comprehensive and accurate. The application should include the year that the agency or company was established as well as its structure (proprietorship, partnership, corporation, or other). A corporation is liable for debts

## **PROJECT LIFESAVER WE BRING LOVED ONES HOME**



*by Douglas Mueller*

Try this at your next meeting. Have all present, who are able, stand up. Next ask all who have known someone with Alzheimer's or someone who has cared for someone with Alzheimer's to sit down. Repeat the question substituting Autistic Child for Alzheimer's and again substituting Child with Down's Syndrome for Alzheimer's. When this process is complete you will be looking out over a room with very few people, if any, remaining standing at all.

The common thread in all three of these medical conditions is that people affected by them have a tendency to wander and to become disoriented. If not found and returned to the safety of their home and family within the first twenty-four hours, the end results are too often tragic. These defenseless individuals tend to become victims of both two- and four-legged predators as well as of the elements. All of those who sat down during the above exercise have a significant chance of being involved in a search effort.



this line, *“The music is all around us. All you have to do is listen.”*

Take time to listen to yourself, love life and take good care of yourself. There is only one you and you are special!!

By the way, you may lose your keys again but don't worry, I will, too, and we will just laugh about it!

#### ***About the author:***

*Charlotte Freeman Maness has enjoyed a long and diverse career in banking, with experience in operations, lending, human resources, total quality process, and various levels of management with most recent role, from which she retired, as Senior Manager in Human Resources at First Union National Bank (now Wachovia). She has done extensive work in training, both in her professional career and in various organizations. She has enjoyed serving at all levels, of Credit Professionals International, including International President, and serves as a motivational speaker for many types of organizations.*

*Charlotte is a musician, has served as organist for Central United Methodist Church in Albemarle, NC, for 28 years, and teaches an Adult Sunday School Class, named after her late husband, who taught the class for 20 years. She is Chairman of the Board for the Stanly County Concert Association and Past President of Albemarle Lions International. She owns her own businesses, which include travel and human resource consulting, in addition to her speaking career.*

*Charlotte enjoys life to the fullest, has two wonderful children, Jimmy and Jeanina, and two marvelous granddaughters, Logan and Lena. She believes that life gives back as much as we give to it.*

except in cases of fraud. (In such cases, you could file a lawsuit to pierce the corporate veil and hold the principals personally liable.) If it is a general partnership, the partners are jointly and severally liable for the actions of the partnership. In limited partnerships, the general (not limited) partners are liable for the actions of the partnership. Sometimes the general partner is a corporation. A limited liability company has managing partners similar to officers of a corporation. For liability purposes, the limited liability company should be viewed as if you were dealing with a corporation.

Make sure you have the exact name of the entity. If it is a corporate customer, find out if the corporation is in good standing with the state. In most states, this information is available from the Corporation Division of the Secretary of State.

The credit application should also include the number of full-time employees; annual sales; federal tax I.D. number; the principals of the company, their addresses and home phone numbers; bank references; and at least three trade references, preferably media. And finally, make sure the application is signed by someone with the authority to bind the company. The individuals should clearly indicate in the agreement the legal capacity in which they are signing.

Because today's credit application must fulfill more than its original purpose, it should clearly define the responsibilities of the parties involved and state your liability position. Even if the agency is the entity with which you are doing business, you need to prepare for situations in which your best option is to look to the advertiser for payment. We strongly recommend the joint and several liability position, whereby both the advertiser and agency are liable for payment until the media outlet is paid. Your company's Terms and Conditions and your liability position should be clearly stated on the back side of your credit application. Make sure all parties receive notification of your liability position before the advertising is run!

You can find a Szabo-recommended Credit Application form as well as a Terms and Conditions of Credit Sales form under “sample forms” on our website, [www.szabo.com](http://www.szabo.com).

### **Equal Credit Opportunity Act**

Prompt notification, documentation, and recordkeeping procedures make practical sense on many levels. Detailed procedures are critical to maximizing the effectiveness and efficiency of your credit department. Additionally, they are critical to ensuring that your company maintains compliance with federal law.

The Equal Credit Opportunity Act (ECOA) makes it unlawful for creditors to discriminate in any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, age, because an applicant receives income from a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. The law also provides that a credit applicant has the right to obtain a written statement of reasons for a denial of credit and requires creditors to keep certain records on credit applications.

The ECOA, implemented by the Federal Reserve Board's “Regulation B,” was originally designed to prevent discrimination in the extension of credit to consumers. As such, it afforded limited exceptions from some of the requirements of the act for certain types of credit, including business credit. In 1988, the law was amended by the Women's Business Ownership Act, intended primarily to provide small business owners with the same procedural rights afforded by the ECOA to consumer credit borrowers. When the Federal Reserve Board adopted the Regulation B amendments effective April 1990, it also included additional provisions that applied to businesses with gross revenues in excess of \$1 million.

Various federal agencies have general regulatory authority over certain types of lenders and monitor creditors for their compliance with the ECOA. As “trade” creditors, media properties are

everything. Put more laughter and play in your life and, once again, don't take yourself too seriously. Set aside time to be with friends you really enjoy. Make everyday special since it is a gift to us. Above all, look for the beauty in life and remember there are occasions in life when you need to just let it go!! There are times when we can't change the situation and we must make a conscious decision not to become stressed over things that we cannot make different or better.

I have the honor and privilege to work with a lovely lady named Karen. She is a single mother with two small children and one is terminally ill, requiring around the clock nursing care. Karen recently was diagnosed with cancer and has required chemotherapy and radiation. She works as much as she possibly can and does everything in her power to make life as normal as possible for the child who is healthy. The good news is that Karen is doing well now that all the treatment is over and she cherishes the dawning of each day. Her life is not easy but her attitude is amazing.

She recently sent an email to friends and co-workers that I want to leave with you:

**“Life should NOT be a journey to the grave with the intention of arriving safely in an attractive and well preserved body, but rather to skid in sideways, chocolate in one hand, latte in the other, body thoroughly used up, totally worn out and screaming “WOO HOO what a ride.”**

She added to her email **“Life is Good...God is good...enjoy your day!”**

Wow, if Karen can proclaim this, you and I should certainly do no less.

In *August Rush*, a movie that is about listening to the music that surrounds us, to our hearts, our thoughts and our dreams, the main character who is eleven years old closes the movie with

- **Relax, take a break**
- **Look for the beauty and blessings in life.**

I recently read in an article by Dru Scott in the *Advantage* Newsletter about nasty viruses that attack our time and productivity.

He introduced his article by recounting a conversation, after making a speech, with a gentleman who asked him why he became an expert in simplicity. He answered simply, as they laughed together, and with one word, “DESPERATION”.

Mr. Scott points out that we must simplify and this does not mean just our stuff. He points out that the more we simplify our thinking, the better we think. Ah!! This may be that clutter we mentioned earlier with the same record playing over and over in our minds. We just have to put our guard up and change the record to positive and supportive thinking. Mr. Scott calls inspirational material “wisdom quotes”. He says they’re great for the mind.

The four viruses he lists that attack our time and productivity are:

1. **Hurry up—constantly rushing. Do first things first.**
2. **Be perfect—we have trouble admitting mistakes and moving ahead.**
3. **Please—saying yes when we may want to say NO. Wanting to please.**
4. **Try Hard—too detailed, trekking through the snow, working too hard.**

Are we hitting on something here? Do we cause this stress in our lives by allowing these viruses to attack us?

Someone called the first one “hurry sickness”. We must set priorities, maybe say NO, don’t worry too much about being a pleaser for everyone, and lighten up. Don’t work so hard at

regulated by the Federal Trade Commission. The term “trade credit” generally is limited to a short-term type of finance obtained by buying goods or services that do not require immediate payment. It does not apply to an extension of credit by a bank or other financial institution for the financing of such items.

At first blush, the amendments to Regulation B appear complex and burdensome, with one set of requirements for doing business with applicants with gross revenues of \$1 million or less, and another for doing business with applicants with gross revenues of more than \$1 million. A careful reading of the law reveals, however, that the designation of “trade creditor” renders irrelevant the different notification and recordkeeping requirements for businesses with revenues of \$1 million or less. The requirements for media, as trade creditors, are the same, regardless of the size of your prospective client's business.

The ECOA requires you to notify credit applicants of actions taken regarding extension of trade credit, orally or in writing, within a reasonable time period. Thirty days is considered a reasonable time frame for compliance.

The law also states that applicants who have been denied credit or were offered less favorable terms than they applied for (unless they accepted the terms) have the right to find out why. The applicant must submit a written request for the reasons within 60 days of the denial of credit.

If you receive such a request from an applicant within the specified time frame, you must submit your “reasons for adverse action” to the applicant within 30 days of the applicant's request. The reasons must be specific and must indicate the principal reason or reasons for the adverse action. You may not, for example, state that your action was based on your company's internal standards or policies or that the applicant failed to achieve the qualifying score on the creditor's credit scoring system.

A comprehensive credit application is useful in supporting your reasons for “adverse action.” Acceptable reasons include: insufficient number of credit references; unacceptable type of credit references provided; unable to verify credit references; insufficient length of time in business; income insufficient for amount of credit requested; excessive obligations in relation to income; unable to verify revenues; no credit file; limited credit experience; poor credit performance with us; delinquent past or present credit obligations with others; garnishment, attachment, foreclosure, repossession, collection action, or judgment.

The law also requires that you include an ECOA notice similar to the following in the letter stating your reasons for adverse action:

*“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 applicant's 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.”*

The record retention aspect of the law is simple for trade creditors. You must retain records for at least 60 days after notifying the applicant of the action taken. Since the law affords the applicant a maximum of 60 days following your notification to request the reasons for your action or to request that records be retained, the 60-day record retention requirement makes sense. If you do receive such a request, you must retain the records for 12 months.

The record retention requirement extends beyond 12 months if you receive notice that you are under investigation or are

much to do in too little time. This is a universal problem and in the busy lives we lead today, it is almost impossible that we avoid this feeling. We think if we just had a few more hours, a few more days to get all the calls returned, the meetings scheduled, the bills paid, our offices and homes organized, errands run and on and on.

I will be quick to tell you that this dilemma does not stop when we retire! I hear this all the time, and I experience it, that we get busier and don't know how we had time to work. Why? Well, we take on volunteer work, which is wonderful. We think we have so much more time that we must fill, and we just pile on each day until it is full. We seem to have a fear of not being productive.

I talk to people all the time who have done this and they say that they have to stop and take evaluation of what all they are doing and what is taking their time. I encourage you to do this, whether you are still working or not. Just make a list of everything that needs your attention in each day of each week. You will be tired just writing it down but it is very awakening.

We can't take life so seriously! Let me share some coping techniques:

- **Recognize and accept limitations**
- **Develop a sense of humor**
- **Practice forgiveness**
- **Be good to yourself**
- **Learn to ask for help**
- **Find a friend to talk to**

### **It is okay to cry**

- **Maintain some private time**
- **Exercise**
- **Eat well, low in fat, sugar, and salt with adequate fiber**

Most of us are excellent at multi-tasking and we try to solve “world hunger” at the same time we are juggling all the plates in the air. However, in doing this, we often fill our minds with so much stuff that there is mass confusion reeling around in our heads and focusing becomes very difficult. Then, we are moving so fast that the last moment just disappears and we can’t find our keys, our purse, the file, or the phone even though we just had it in our hand five minutes before.

Now, I know we all have libraries of books on time management, stress management, managing our lives, and organizing our homes and offices. We have CDs and DVDs on this subject to listen to in the car while we are driving and, by doing this, we are actually multitasking. It is just part of us, especially in women.

I can attest to this as it is very real for me. My daughter, Jeanina, is natured the same way and it so happens that my son, Jimmy, is natured just like his Dad was: they can focus on one thing with a hurricane going on.

The message is that for some of us, there will always be a challenge in focusing and getting one thing done at the time. We take great pride that we can do more. It is also within some of us that if we don’t balance all the balls in the air, we are not being productive and that we may fail.

I think we have established two things:

1. Some of us have more trouble than others in focusing on the moment which make us forget the simple things; and
2. It is a natural behavior and we are not losing our memory just because we forget where we put our keys. I certainly hope not!

Let’s focus on things we can do to help ourselves in this dilemma, as it can cause negative stress, which is not healthy for our minds and bodies. We constantly feel that we have too

subject to an enforcement proceeding for an alleged violation. If that happens, you must retain the records until final disposition of the matter unless earlier disposal is allowed by the agency or court order. While the Federal Trade Commission is the agency charged with the responsibility for monitoring trade creditors for compliance with the ECOA, the law requires the FTC to refer matters to the Department of Justice when there is reason to believe that a creditor is engaged in a “pattern or practice” of discrimination (as opposed to an isolated instance) that violates the ECOA.

### **The Disposal Rule**

In the interests of protecting the privacy of consumer information and reducing the risk of fraud and identity theft, a federal rule went into effect in 2005 requiring businesses and individuals to take appropriate measures to dispose of sensitive information derived from consumer reports. Enforced by the FTC, the Disposal Rule requires disposal practices that are “reasonable and appropriate to prevent the unauthorized access to—or use of—information in a consumer report.” The “consumer information” covered by the Rule includes a variety of personal identifiers that alone or in combination could be used to identify particular individuals.

When collecting information on potential customers, be aware that personal information that you may request from the principals of a company on any document falls within the scope of the Rule. For example, creditors will often require principals to include their social security numbers on signed personal guarantees. Because the document contains a personal identifier, its disposal would need to be done in accordance with the Rule.

While the Rule does not mandate specific disposal measures, appropriate methods could include shredding or burning paper records, destroying or erasing electronic files or media, or hiring a document destruction contractor to dispose of material specifically identified as consumer report information consistent with the Rule. If you choose to hire a contractor, the Rule requires

you to conduct due diligence in doing so. Due diligence could include reviewing an independent audit of the disposal company's operations and/or its compliance with the Rule; obtaining information about the company from several references; requiring that the company be certified by a recognized trade association; and reviewing and evaluating the company's information security policies or procedures.

### **Keeping It Simple**

The best way to protect your company's interests with regard to credit extension transactions is to routinely review your procedures within the context of your credit and collection policy. By doing so, you can avert some of the most serious and easily avoidable problems early on in the business relationship.

Simply by clearly identifying the entity with whom you are doing business, you can avoid the most common and costly problem that credit managers make. By identifying your customer, replying in a timely manner to applications for credit, maintaining proper records, and establishing appropriate information disposal practices, you will not only prevent needless legal complications down the road but will also increase the effectiveness and efficiency of your credit and collections department.

### ***About the author:***

*Robin Szabo is President of Szabo Associates, Inc., which was founded in 1971, and is the first and largest collection firm to specialize in media collections. The firm serves the media and entertainment industries both domestically and internationally and has been active in numerous creditor plans, significant media litigation, and bankruptcy cases.*

*He is originally from Jacksonville, Florida, and is a graduate of Florida State University, where he earned a Bachelors of Science Degree from the College of Business with major areas*

## **I FINALLY GOT IT ALL TOGETHER AND CAN'T REMEMBER WHERE I PUT IT**



*by Charlotte Maness, CCCE/MPCE*

Now, just where did I put my keys?

Where is my cell phone?

Where did I put that file?

I just had my purse in my hand? Where did I put it?

Oh, dear, where did I park my car?

Why did I walk into this room?

Now, I know you have never asked yourself these questions but I certainly have many times. We begin to wonder if we are losing our memory, are getting older, or just what is wrong that we often can't remember simple things that occur in our daily routine. Why is this a problem?

Removing “old school” attitudes is not always easy, and I would not want to end this article with the false impression that the “gridiron philosophy” solves all problems. Certainly, it does not. But with greater emphasis to improve two-way lines of communication, designed to educate rather than tear down, Credit and Sales can truly make more happen! The key to its success is **C. A. S. H.**—Communication, Appreciation, Support and Honesty.

***About the author:***

*John H. Heidel is Vice President, Credit Sales, for The Harvard Drug Group, LLC.*

*of study in accounting and finance. He joined Szabo Associates in 1975 and served as Vice President from 1982 to 2006.*

*He is a member of the Media Financial Management Association, where he sits on the Board of Directors, co-chairs the Membership Marketing, Promotions and Services Committee, and serves on the TFM Editorial Advisory Board. He also is a member of the Georgia Association of Broadcasters and the International Newspaper Financial Executives Association. He has been a lecturer for the AMCEA, AWRT, BCCA, INFE, MFM, NAB, many state associations, media and entertainment groups, and credit associations.*

*Robin is a contributing editor to AMCEA’s “News and Views”, MFM’s “The Financial Manager”, and is the publisher and editor of Szabo’s “Collective Wisdom”, a quarterly educational newsletter of credit and collection articles and tips with a circulation of 9,300.*

*His hobbies include fishing, snorkeling, boating, and spending time with family.*

## **2009 DISTRICT CONFERENCES**

### **District 3 & 4**

April 16-18, 2009  
Charlotte, NC

### **District 5**

March 19-21, 2009  
Wichita, KS

### **District 7&9**

March 19-21, 2009  
Wichita Kansas

### **District 8**

*Dates and location  
to be announced*

### **District 10**

April 24-26, 2009  
Kalispell, MT

### **District 12**

March 2009  
Virginia Beach, VA

## MAKE YOUR CREDIT DEPARTMENT THE BEST



*by Susan J. Heusing, MCE*

If you work in credit or collections you already know that the industry is constantly changing. In order to stay current, you too must change and find the best, quickest, easiest, and most complete manner of doing your job. You must also find a way to help your employees do the same.

Develop a “Best Practices and Benchmarking” process for your industry. What works for one industry may not work for another. In telecom, for example, you may have an autodialing system but if you work in another industry like hospitality, your customer may have already left your location. Those unique differences in relation to customer service, collection techniques or deduction management require you to be flexible. A top down review will help you set goals and achieving those goals will help drive improvements.

There are key requirements to “Make It Happen” for your credit team, including the department organization and administration.

As we kicked off this philosophy with the sales organization, we felt it was important to demonstrate our own commitment. Additionally, we felt that by the mere name of our department, the Credit and Collections Department, we were sending a negative message to our sales team. After all, many of the sales people already thought of us as just a collection department instead of a department dedicated to the processing of sales and managing credit accounts to keep their open-to-buy maximized. We have all heard the names, the “No Department”, the “Reject Department”, etc.

With this in mind, we decided to change the perception of this image right up front. Thus, we changed the name of the Credit and Collections Department to “The Credit Sales Department.” After all, our job was to manage credit sales. We also took it a step further and changed the titles of our associates to reflect a more positive image as well—from collector to Credit Sales Manager, etc. Needless to say, the sales people love it, and this alone has created a more positive attitude toward us. Just the tone of “Credit Sales Department” seems to come out more positively when a sales rep speaks of us now.

Of course, changing the credit department’s name and implementing our whole project did not come without senior management support. This was just the beginning. Once we had senior management on board, we created, through joint meetings with sales, mutual initiatives that were designed to help each of us improve processes and better understand why we do what we do. Credit management now attends sales meetings and takes an active role in the training of new sales people. Conversely, sales management attends credit meetings and takes an active role in training new credit people.

We communicate each other’s successes and challenges. We take a proactive role to discuss each other’s concerns and move promptly to resolve them. Together, we have become better informed departments and, by sharing information, we are more in sync as one team.



Basically, we adopted a football team approach. The company is the team. Making up the team are the sales organization (the offensive squad) which is responsible for moving the team down the field and scoring most of the touchdowns. In the business sense, touchdowns are producing the sales and increasing the company's revenue. The credit department (the defensive squad) is responsible for protecting the team's position, preventing loss of yardage and supporting the offense. Again from a business perspective, this would relate to protecting receivables, preventing bad debts, retaining credit customers and making the right credit decisions for the company. Each squad has different objectives and strategies, but both share the same goal: to score or help the team prosper.

The team also has special squads (Customer Service, IT, Marketing, Purchasing, etc.). All have different responsibilities, but share in the overall goal to win for the team.

“The Gridiron Philosophy” promotes 2-way lines of communication with an emphasis on educating and teaching each other about the value of each organization's contributions to the overall team. Through an understanding of the policies and procedures of each organization, a greater cohesiveness between the two departments is accomplished.

Creating an understanding as to why a credit application is needed or why it is important to get a particular sale shipped today, for example, generates buy-in and an acceptance from both departments for what needs to be done. Basically, the philosophy promotes the internal customer concept—the value of your contributions affects the contributions of others, thus, the value to the company. When the contributions of the credit organization are understood by the sales organization and vice versa, the overall mission of the company is achieved with greater success. And through this understanding of value, greater respect for each department toward the other lends itself to achieving greater harmony and better processes.

If you think of your department as a triangle with the shareholder at one point, the customer on the second point and the employee on the third point, you then need to find a balance. If you focus too much attention on one, the other two may not see the results of your efforts.

The shareholder is worried about productivity, profitability, security, and sound financial controls. Your customer wants service, price, value, quality and professionalism. Your employee is looking for training and development, fair treatment, participation, recognition and reward. To have an effective credit department, you need to meet all those equally.

Start with the department organization, which should include a formal credit and collection policy, some procedure manuals, hiring practices, training and certification and perhaps some Service Level Agreements (SLA). Those agreements might be internal with sales, operations, and the IT department; or they may be external with your agencies and vendors. The goals for Sales and Credit should match if you are to be effective.

Your next goal should be in the area of customer service. Your customers don't want apologies when they call about a problem; they want solutions to those problems. A single point of contact for inbound calls might work for things like payments, billing errors, and disputes or you may have the ability to allow on-line access to details for your customer. Try to enhance the customer's satisfaction by documenting and honoring commitments; providing timely, courteous and correct service; and, once you identify frequent errors, eliminating the sources of dissatisfaction for your customer. Your team should receive and give a consistent message and they should know your policies and goals. Depending on the industry you work in, your employees might be empowered to make necessary adjustments to correct a billing error but they should also advise the source of the error to prevent it from happening again.

In the area of process management or information systems you need to automate and centralize wherever possible. There should be a single point of access to data. Try to consolidate customer information across divisions and brands. If you have multiple customers with multiple divisions, see if parent/child reporting is possible in your system. The most important element is desktop access so your employees can see the details.

To manage the portfolio in your credit department, you need to develop ways to rate your risk or develop a scoring process. You might want to alert the Sales Team if you have a customer who has a high credit rating but is under using their potential. The sales department will appreciate the lead and you might stimulate greater sales. Do the same with a customer who is marginal and requires prompting for payment. Sales needs to know if that customer is a high risk account. Keep updating and improving your processes when possible since the industry itself is constantly changing. Wherever possible, approve orders in real time. Eliminate barriers to payment by fixing system weakness, insuring the accuracy of invoices, and trying to provide multiple payment options.

In the area of payment process, try to automate by providing EDI, ACH and credit card capability. Look into electronic invoicing for your customers, and, depending on the volume, the lock-box remittance data should be fully automated where possible. Automation can also be implemented in the dispute handling area. If you catch errors early, you can make the appropriate resolution, set the timing to resolve and network with other departments to ensure quick resolution. Use the resolution process to identify weaknesses and then try to prevent recurrence of the same mistakes.

The final process is to measure, measure, and measure again. Those measurements provide meaningful and timely reports to the Executive Team. Create a “dashboard report” that provides a quick glance at key elements you are tracking. That report could help compare this month with last month, this quarter

which is diligent to develop the facts to justify the exposure, becomes a deterrent to get the sale approved and out the door. At least this is usually the view of the sales department. So, what can be done to improve relations between the two organizations and create a more harmonious environment to improve overall processes between the two?

To overcome these disconnects, a close look must be given to any negative attitudes coming from the sales team toward the credit team and vice versa, to determine the reasons. In other words, it must be addressed from a “problem, cause, cure” standpoint and action must be taken to come up with a plan. The question becomes, “How can credit and sales make more happen?”

In our company, we interviewed credit personnel, sales representatives and sales management to identify areas where both organizations could be more supportive of the other. Right away, it became clear that more had to be done to create better communication between these two departments. Not just one department talking to the other department, but real communication designed to educate each other about the objectives and sensitivities of each, and the importance of what each had to accomplish for the company.

We quickly recognized that neither department had a good understanding of why certain policies and procedures existed, only that they did. While management may have understood the reasons, most employees, particularly on the sales side, viewed the process as a deterrent to business. So, creating an education program and coming up with mutual initiatives that would allow us to work in concert would be an important part of establishing better harmony between our groups.

We developed what I call “The Gridiron Philosophy.” Simply speaking, this is the positive and cooperative attitude in how each of our departments works together as one team. As it relates to the credit and sales relationship, here is how it works.

## CREDIT AND SALES MAKING MORE HAPPEN TOGETHER!



*by John H. Heidel*

Having been in the credit industry for more than 40 years, I have experienced many of the conflicts that often exist between the credit organization and the sales organization. While I have seen numerous efforts to create smooth relations between the two departments, for the most part, through what I believe are misunderstandings, lack of communications and the need for better education, disconnects between the two departments seem to be never ending.

These disconnects only serve to cause friction, stalling the overall objectives of moving the company's business forward. Consequently, these disconnects must be dealt with positively, yet deliberately, to get both organizations on board for the common good of the company.

The sales team, which is motivated and eager to get the sale, often becomes pushy and inconsiderate of the due diligence necessary to get the sale approved. At least this is usually the view of the credit department. On the other hand, the credit department,

with last quarter, year to date with last year to date or whatever time frame you set up. Measure things like collection calls, promises to pay, credit line adjustments, cycle times, error rates and things that will show improvements. The Days Sales Outstanding (DSO) is an industry standard and usually outlines the age of your invoices. Keep in mind that the terms granted to some large customers, might impact that statistic.

Your employee incentives should be linked to measurements so they can see how important your goals are to them personally and to the team. You might do the same for your vendors too.

Once you have measured everything that you think is important to you, then find someone else with whom you can compare yourself so you can see how you are doing. It might be another region or branch; a competitor you met at a credit meeting; or a published industry standard for your business. Benchmarking information from your peers is something that is done in the commercial credit industry. Those statistics might be gathered by the national trade association for that industry.

Sometimes the best ideas come from someone or somewhere else. That is why it is important to be an active member of a credit association, attend and participate in meetings locally and at the national level if possible. If someone else has a good idea, borrow it and see how it works for you.

Keep a list of key points posted that you can refer to daily and help you remember how important it is to manage your credit department. You can borrow these or create your own:

- Stay close to the customer, employee and stockholder
- Think Long Term
- Control your EGO
- Open Lines of Communication—talk often and ask questions
- Teamwork requires Team Players—Be a Coach and not a Referee

- Be Professional
- Trust first—until proven wrong
- Use common sense and rely on your experience
- Fear won't make your decision
- You are in business to make a profit

The best credit department today may not earn recognition tomorrow unless the management team of that department continues to find ways to make improvements. Just as the industry has its “ups and downs” so too will your performance and you need to track the peaks and valleys and keep making improvements. Share your ideas with others and feel free to borrow some of theirs. Good luck and hope your credit department is the best that it can be for you, your team, your customer, and shareholder.

***About the author:***

***Sue Heusing, MCE***

*A long time member of Credit Professionals and Creditors International, Sue Heusing, MCE, is also a member of the Society of Certified Credit Executives. A past president of the Credit Education Resource Foundation (CERF), Sue served Credit Professionals International as Chairman of several conference committees and is currently serving as Strategic Planning Chairman.*

*As an International winner of both the Credit Professional of the Year Award from CPI and the Distinguished Service Award from ICA, Sue has also been elected to honorary membership in Credit Professionals International. She has received the Individual Excellence in Education Award, has written several magazine articles, manual articles and installation programs for this organization. She has done workshops for both District and the International Conferences.*

*When Sue was wearing her International Credit Association hat, she served District 5 as President, as Education Chairman for many years, and as membership chairman of ICA of Greater Chicago. Sue also was involved with the first four versions of the Comprehensive Credit Manual and the "How to Use Consumer Credit Wisely" booklet and teachers guide.*

*Sue has a BS degree in Management with emphasis on Human Resources and, in 2004, was honored by the Foundation as the first winner of the Helen B. Sawyers Hero Award. This award was given in memory of Helen in recognition of excellence in leadership, a tenacious spirit and a wonderful sense of humor.*

