

# KCB INFORMATION SERVICES

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## BAD CREDIT?

Are you tired of dealing with people who have bad credit? Do you wonder what you can do? Well, there are obviously no quick fixes, but there are steps you can take.

Credit bureaus were originated decades ago as a non-governmental way to encourage and enforce good credit. The system works best when everyone participates. If you offer credit and don't report it, can you complain when your customers get over extended? 25 years ago there were over 7,000 credit bureaus in the United States. Today there are three national data bases and less than 300 credit bureaus.

More information is available today. Credit reports are available in many formats with much more information than was imaginable a few years ago. In addition to consumer reports, there are employment reports, collection reports, credit trends, fraud searches, business reports, merged and RMCs.

Each of us need to get more credit grantors involved in sharing credit information. All credit grantors should be willing to report their loans and accounts. Only when each credit grantor (whether they are a financial institution, a landlord or retail merchant) decides to check the credit on their customers, does the system work at its best.

Consumers need to understand that they must have good credit whether they want to rent an apartment or get a loan.

We recommend you contact your local schools and civic organization and let them know how important good credit is. Let them know that charge-offs increase the costs of goods all of us buy each day.

We also recommend that you contact your Congressman regarding bankruptcy abuses. A survey of bankruptcies received at Illinois Collections revealed that 38% of the accounts listed were for bad checks. Bankruptcies are for civil debts, but now many courts are allowing bad checks to be included. Courts are allowing Chapter 13s to be used instead of Chapter 7. How many times have you received a Ch. 13 notice with no payout to non-secured creditors? This was not the original intent of Ch 13.

In summary:

Report your consumer and mortgage accounts to the three national credit reporting data bases.

Report all business loans guaranteed by individuals, including Ag Loans to the three national bureaus.

Report all business loans.

Whether you represent a financial institution, a landlord, a retail merchant or an employer, check the credit reports before you advance any credit or hire someone for a financially responsible position.

Let others know how much bad credit is costing them. Volunteer to be a speaker.

Let your elected official know what you think about the bankruptcy laws. Remember: The squeaky wheel get the grease!

## COMPLIANCE SEMINAR

Our next seminar will be on Monday May 20th at 1:00 p.m. at the Alpha Park Library in Bartonville IL. Alpha Park Library is on Airport Road, 2 miles south of exit 5 on I-474. I-474 goes around the south edge of Peoria. Seating is limited. Call or e-mail us and let us know if you plan on attending.

We will explain "Permissible Purpose" and we will review the different types of reports and the information they offer. We will also look at some new programs that help notify you when your customers start to fall behind on other bills.

## EXPERIAN'S BANKRUPTCY WATCH

Every year, the credit industry loses billions of dollars to consumer bankruptcy filings, accounting for as much as 50% of the total losses at some institutions. Already close to an all-time high, bankruptcies are expected to rise even more in the immediate future. Because bankruptcies result in higher-dollar losses, which are rarely recoverable, it's critical for lenders to accurately predict them.

Experian, the original developer of bankruptcy scores, has created powerful tools that help lenders identify consumers who are likely to file for bankruptcy--before it's too late. These tools reduce bankruptcy losses by assessing an individual's credit risk, allowing lenders to make more accurate and consistent credit decisions. They can be used by lenders to target creditworthy consumers, acquire new business and manage existing accounts. The urgent need for such capabilities is apparent in the statistics. More than 1.5 million bankruptcies were filed in the U.S.A. during calendar year 2001, with personal bankruptcies accounting for more than 97% of these cases. At the same time, debt payments as a percentage of disposable personal income also neared an all-time high. While traditional risk models predict performance for a wide range of delinquent or derogatory items, bankruptcy is a special case. "Our research has shown that bankruptcies tend to have different predictors than traditional risk behavior does," said Charles Chung, VP, Experian. "Our bankruptcy scores were developed specifically to predict bankruptcy and help lenders separate potentially profitable accounts from potential bankruptcies."

These "Surprise bankruptcies" (bankruptcies that occur without the presence of prior delinquency) are often consumers who for the most part are paying their bills, have a stable residence and look like good credit risks. "Those are harder to predict than somebody who is progressively becoming more delinquent," says Chung. "In fact, research shows that up to 40% of the bankruptcies were actually in good standing before they went bankrupt--so there were no late payments and without a bankruptcy score, most lenders would not know these were potential bankruptcies."

## KCB INFORMATION SERVICES HOURS

Monday - Friday 9:00am to 4:30PM

Consumer credit reports are provided from Experian.

Business reports are provided from Experian.

Residential Mortgage Credit Reports may contain information from: the

Kewanee Credit Bureau, Experian, TransUnion and/or Equifax.

Criminal Background checks are from the Illinois State Police.

The KEWANEE CREDIT BUREAU has served businesses since 1928 and serves the following counties for Experian: Henry, Stark, Bureau, Putnam, LaSalle, Marshall, Woodford, Peoria, Knox, Fulton, Mason, McDonough, Warren, Logan, Henderson, Hancock, Adams, Schuyler and Tazewell.

**Don't let your  
voice mail be  
"voice jail"  
to your callers.**