KEWANEE CREDIT BUREAU

206 1/2 W. 2nd St. / PO Box 93 / Kewanee IL 61443 309-852-2574 fax: 309-852-0995
11-B N. Sixth St. / PO Box 305 / Pekin IL 61555 309-856-6630 fax: 309-347-1351
Web page: www.kewaneecreditbureau.com e-mail: lnelson@ocslink.com

JAN. 31, 1995 VOL 3, #1

CONSUMER CREDIT ON THE RISE

Consumer Installment Credit rose $12.9 billion in November, following an$11.6 billion increase in Oct. The November increase was the largest since a $15.1 billion gain in August. Revolving Credit expanded $6.7 billion in November and Automobile loans outstanding grew $4.8 billion. "Other" installment credit increased $1.4 billion.
(ACB Reports 1-16-95)

SIGNS OF TROUBLE

An EARLY WARNING SYSTEM helps to raise a flag on potential problem accounts.

Here are some signs you should watch for:

1. Customer submits incomplete credit information.
2. Customer has no experience in this field of business.
3. Customer breaks first promise.
4. Customer avoids responding to phone calls and correspondence.
5. Customer starts calling for credit references.
6. Customer makes partial and erratic payments.
7. Customer refuses to sign a personal guaranty.
8. Dunning letters are returned to sender.
9. You receive notification from D & B (or TRW Business Reports) that the customer has been placed for collection.
10. Their main bank has refused to extend any more credit.

The above warning signals may mean the customer is intending to do one of the following:

Skip, Liquidate or file for Bankruptcy.
(Joe Seruya, Credit Manager, Commodore Manufacturing Co., Brooklyn, NY)

FAIR CREDIT REPORTING ACT BILLS DIED ON FLOOR OF 103RD CONGRESS

The measure S.783 was approved by the House on 9-27-94. The bill then encountered difficulties in the Senate. Supporters of the bill in the Senate merged it with several others, including bills regarding Truth- in-lending and emergency flood relief. The bill was then introduced in the House as H.R. 5178, which again passed quickly. The bill had little debate and marked the third time a FCRA bill was passed by House in 1994. The Senate opponents effectively stalled the legislation until its own adjournment in Oct.

Industry analysts foresee a smooth path for the bill in 1995 due to restructuring of the Senate Banking Committee.

COULD HAVE - WOULD HAVE - SHOULD HAVE

A study was done based on responses from CCLA's Commercial Collection section. It shows creditors collecting on nearly 94% of accounts that are one month past due. This means that a store with 100 accounts that have been delinquent for one month can expect to collect only 94 of them. Collectibility drops off sharply from this point. On accounts that are 2 months past due, you can expect to collect only 84%. At 3 months, collectibility drops to 74% and at 6 months it drops to 58%. An account that is 9 months past due has a 43% chance of payment. At the 1 year mark, chances of complete payment drops to 27%, and at 2 years, the chances drop to 14%.

Imagine a creditor with $1,000 worth of past due accounts at each stage. At one month past due, they will be able to collect $940 and their loss will be only $60. Those accounts at the 3 months past due mark will lose $251. At 9 months they will lose $570 and at 1 year this company will lose $730 of the $1,000 owed them.

How many times could your debtors make you say: "coulda'...woulda'...shoulda'?" (The Declining Value of Past-due Accounts by Ted Davis, ACA Ed. Dept.)
Be sure to report all your accounts, current and past due, to us!

KEWANEE CREDIT BUREAU HOURS
Monday - Friday 9:00am to 4:30pm
Diane Ebens, Office Manager
Larry Nelson, Pres.