

# KEWANEE CREDIT BUREAU

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## CHARGE-OFFS, P & Ls & WRITE OFFS

There is often a misunderstanding of these terms. Periodically a credit bureau member may call us and say: "We are writing off John Q Customer, so please take our account off his credit record." or they will ask us: "We have listed this with a collection agency and we are now writing it off. Should we cancel it and withdraw it from the agency?"

The misunderstanding seems to be that, when an account is "written off," it can't be collected. When in fact the account can be collected until it is included in bankruptcy. Even when the Statute of Limitations expires, the account is still owed and can be collected, but certain legal options are not available.

Our view as a credit bureau is to report the financial obligations of the consumers. If a consumer is paying their bills as agreed, you should report it as such. That way, they get a good trade line of credit on their credit file. If they are paying slow or not at all, that should be reported as well. Hopefully the slow, delinquent and P & L ratings will hinder that consumer from obtaining new debts.

When you deem the account to be uncollectible and you are not going to work it further, it should be taken off of your active ledger and charged to "Bad Debts" or "Charge Off" or what ever you wish to name the entry. At this time your choices are:

1. Do nothing & forget the balance.
2. Turn it over to an attorney.
3. Turn it over to a collection agency.
4. Report the account to the Credit Bureau.

We always recommend number 4! If you do not report your loss, then each credit bureau member inquiring on that consumer will not know how your account was paid. The consumer's bill paying record will not be accurately reflected in the credit report.

We would also recommend listing the account with a "local" collection agency. People are more likely to pay a local agency than one far away or even out of state. A local collection agency may already have other accounts on the same people.

REMEMBER: IF YOU DO NOT REPORT HOW YOUR CUSTOMERS ARE PAYING YOU, THE CREDIT REPORT CAN NOT CORRECTLY REFLECT THE CREDIT WORTHINESS OF THE CONSUMERS.

## CONSUMER DEBT CLIMBS 14 PERCENT IN 1 YEAR

American installment debt grew in February at the fastest pace in eight months as each of the major categories posted sharp gains. The Federal Reserve said that consumer installment

credit shot up 13.9%, at an annual rate, steepest since rising 14.4% last June. The \$12 billion increase was the biggest since a \$12.8 billion advance last May.

The increase boosted total consumer debt to \$1.048 trillion, 14% higher than in February 1995. Many analysts had expected debt to grow just \$10 billion down from \$10.9 billion in January, when credit rose at a 12.7% rate.

Consumer credit includes all household debt not secured by real estate.

Spending grew just 1.2% during the final 3 months of 1995, down from gains of 2.8% in the third quarter and 3.4% in the second.

In February revolving credit which includes credit cards, jumped \$6.4 billion, the biggest advance since \$7.4 billion last May. The 19% annualized gain was the steepest since 20.5% in June. The increase pushed total revolving debt to \$407.2 billion.

Automobile loans rose by \$3 billion, a 10.3% annualized gain, and pushed motor vehicle debt to \$359.3 billion.

## TIPS ON READING THE CREDIT REPORT

The TRW Consumer Credit report has several codes whose meanings may not be obvious.

After the subscriber code on the 3rd line of the trade line there is usually 2 letters, such as BB or BC or DC. The most common are:

<b>BB-</b> All banks	<b>OC-</b> Oil credit cards
<b>BC-</b> Bank credit cards	<b>Y-</b> Collection servc
<b>DC-</b> Complete Dept Stores	<b>YC-</b> Coll. agency
<b>EL-</b> Student loans	<b>YD-</b> Coll dept store
<b>FA-</b> Auto finance co	<b>YL-</b> Coll. attorney
<b>FC-</b> Credit Union	<b>Z-</b> Misc.
<b>FL</b> or <b>FS-</b> Saving & Loan	<b>ZC-</b> Credit Bureau
<b>FP-</b> Personal Loan co.	<b>ZZ-</b> Misc other

ECO codes:

<b>1</b> - Individual.	<b>2</b> - Joint Account.
<b>3</b> - Authorized user	<b>4</b> - Joint Account
<b>5</b> - Cosigner	<b>6</b> - On behalf of
<b>7</b> - Signer	

## KEWANEE CREDIT BUREAU HOURS

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