Skills and Resources Needed for Successful Credit Management

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There are certain tools that are essential for a credit manager to effectively do their job. Without even one of these tools, there will be a crack through which a debtor may slip.

- Signed credit application
- Full knowledge of the FDCPA and additional state laws
- Communication skills
- Negotiation skills
- Skip-tracing or location skills
- Mediation skills
- Organization skills

Some areas to consider getting training in would be in developing your telephone voice, refining your listening skills, managing the emotional side of debt collection, organization and preparing before making any calls, your opening statement and closing the call.

Normally a credit manager is responsible for managing all lines of credit, providing account and payment support service to customers, assessing credit risk, assessing credit worthiness of new customers and authorizing new revolving credit accounts. Credit managers are also responsible for negotiating terms and conditions to minimize risk exposure, managing any customer disputes, keeping customer records, credit applications, setting credit limits, reviewing credit performance of accounts, enforcing a credit policy and improving cash collections.

Credit managers must have strong communication and organizational skills and they must be able to solve problems in a positive way.

Elements of a credit policy

There are six elements to a credit policy:

1. Completing the new account form
2. Completing the credit application
3. Checking credit
4. Setting credit limits
5. Notifying the customer
6. Updating credit limits

The new account form is not required, but can be helpful to you. This can be a form of general information, such as name, address, contact information, how you heard about us, who do you currently use for this service and what has been your experience with that company, and why do you want to change companies. This will help you to provide better customer service to your customers. If you know what they want and what they didn't like about another company, you can become outstanding to them.

If you don't implement a credit policy or credit management plan, do one thing. Always get a signed credit application. This one thing will help you in so many ways if you ever have a problem with the customer.

When you check credit you can do it a few different ways. You can become a member of one of the credit bureaus and pull credit reports or you can manually check credit by calling references, vendors, banks and anyone listed on the credit application.

Setting credit limits without a credit report is a little tougher. You have to decide what this person makes for a salary and what their expenses might be. Without a credit report you don't know if the customer has any credit cards, if they are past due, or even if they have been placed with a collection agency before.

When you run a credit report you must notify the customer in writing telling them if they were approved or denied credit.

You might want to re-check credit once or twice a year on customers or if you read something in the trade journals or newspaper about a company having financial issues, you might want to review their account and re-evaluate their credit limit. If you do change their credit limit, you must notify them and tell them why.

Make sure your credit management plan covers these 6 things:

1. How to apply for credit
2. Late fees, interest fees, collection, court or bad check fees
3. Repayments terms and conditions
4. Credit limits
5. Buyer responsibilities
6. Seller liability

Following Federal and state laws

Knowing what laws are out there even if they do not apply to you is good business practice. One law that applies to third party collectors and attorneys who regularly collect debts for others is the Fair Debt Collection Practices Act. This law does not apply to a business owner collecting their own debts. Being aware of the FDCPA helps you to have structure and guidelines for your credit policy. The FDCPA was created to protect consumers and became effective March 20, 1978. If you learn the FDCPA and follow it, you will see that you have much more success collecting from your customers.

The Fair Credit Reporting Act was designed to promote accuracy and ensure the privacy of the information used in consumer credit reports. This law, originally passed in 1970, ensures that consumers have access to information about them that lenders, insurers, and others obtain from credit bureaus and use to make decisions about providing credit and other services. The FCRA also required that users of credit reports (this would be you if you wanted to check credit through use of credit reports) have a "permissible purpose" to obtain them, and it also mandates that credit reporting agencies maintain the security and integrity of consumer files, and allows consumers to limit certain uses of their reports. Your "permissible purpose" would be to extend credit, thus the importance of a signed credit application.

Why should you have a credit management plan?

A credit management plan will provide timely notification to your customers regarding any past due amounts, therefore eliminating old balances from being carried on the receivables.

A credit management plan will outline a procedure that will provide your customers with options when they cannot pay in full or on time.

A credit management plan will provide a procedure on when and what to do with small balances on customers' accounts.

A credit management plan will provide a procedure that will enable you to adequately provide reasonable credit limits for customers with revolving credit accounts.

A credit management plan will provide guidelines to legally collect money due to your company that was lost because of bad checks.

A credit management plan will provide you with a system that will maintain timely contact with our customers when they are past due. It also will provide a procedure that will enable your business to keep credit card numbers and checking account information on file for customers and automatically charge them when they place an order or for scheduled monthly or weekly payments.

A credit management plan will enable your business to be aware of when an account should be placed for collection and avoid carrying bad debts on the receivables.

A credit management plan will provide you with a procedure that will eliminate orders being held for nonpayment and will better service customers in a timely manner.

A credit management plan will enable you to be aware of when to write off a balance to bad debt.