

The Impact of COVID-19 on Your Credit-Granting Process

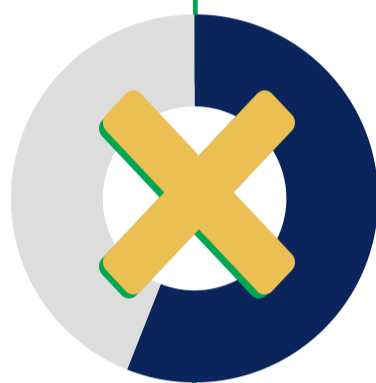
We recently asked our clients whether the COVID-19 pandemic is impacting their credit-granting processes.



75% Have received requests from customers to extend payment terms

It may not be a big deal to grant one customer extended terms; **can you afford to grant every customer extended terms?** Proceed with caution; extending terms can quickly snowball.

Clearly define extensions & determine whether you have the cashflow to sustain long payment periods.



56% Have become more stringent in granting credit

Take this opportunity to review your process and ensure secured transactions are implemented.

Credit-granting processes should be consistently reevaluated.



46% Have increased the frequency of credit checks on customers

Evaluate your existing customers' credit on a regular basis.

Whether you check high risk customers quarterly and semi-low risk customer's annually, it is in your company's best interest that you maintain a current credit picture on all customers.



76% Have increased collection efforts

Remember the longer credit terms are, the older a receivable becomes; **the older a receivable becomes, the harder it is to collect.**

Secured transactions will greatly reduce the need for additional collection efforts.



62% Are monitoring customers for bankruptcy

Monitoring your customers for bankruptcy is an excellent practice. Especially in the event a bankruptcy is filed because **bankruptcy proof of claim deadlines can sneak up fast.**



30% Are filing more UCCs and/or mechanic's liens because of current economic conditions

The **UCC** filing and **mechanic's lien** filing processes are two of the greatest **proactive risk-mitigating tools** available, **vastly improving collectability of receivables.**



With secured transactions:

- **You are a payment priority:** secured creditors are paid before unsecured creditors
- **You can sell more:** extend larger credit limits & sell to marginal accounts
- **You will have fewer write-offs:** fewer write-offs lower costs associated with your product; more sales with stable profit margins
- **You will improve your DSO:** collect money faster
- **You will save money:** UCCs and mechanic's liens are a low-cost solution, especially when compared to collection costs



88 In 1 hour of an 8-hour workday, 88 businesses close their doors for good.

61 Over 60% of subcontractors are unable to cover late payments with cash on hand.

30 Over 30% of business failure is due to poor credit-granting practices.

25 It is estimated that 25% of restaurants will close permanently due to the pandemic.

Ensure you are a secured creditor!
Contact NCS today!