

IF YOU ARE GOING TO REFUSE CREDIT...



Turning down a credit application is an unpleasant task. However, if you can write a tactful letter and be prepared, you can keep hostilities to a minimum. Here are some suggestions (please note this information applies to suppliers, distributors, etc. Banks and other financial institutions fall under slightly different rules and should consult their attorney):

1. Double Check:

Before declining credit, call the other members listed on the report or have NACM update any old tradelines to make sure the information is accurate.

2. General Rules:

Thank them for their interest and application.

Try to soften the refusal.

Always leave the door open for a future re-evaluation.

3. Sample Phrases:

"We appreciate your interest in opening an account with our company"

"Thank you for your application for a credit account with our company"

"After careful consideration of the information you furnished, we are unable to open an account at this time"

"Until then, we look forward to serving you to our very best ability as a cash customer"

"The information we have does not meet our requirements for an open account"

4. **When someone objects:**

- a. Keep in mind that members of NACM are not obligated to provide customers with a copy of their credit report. That rule applies to personal credit reports only. Credit reports or verbal information you receive from NACM and fellow members is **strictly confidential**. In fact, members who violate the confidence of another are subject to **suspension**.
- b. Never show the copy of the NACM credit report to the applicant. The credit report can not be blamed for you decision. Our reports do not contain subjective ratings or recommendations as to whether credit should be extended or not. Members use NACM reports along with other information gathered to make their own independent decisions.
- c. Never tell the applicant to call NACM to receive a copy of their credit report. NACM will not release a copy to the applicant. This call will only waste the applicants time and could make them angry.
- d. Do not name the members who are reporting on the applicant. If members become concerned that their information may be divulged to subjects, they will stop giving NACM their trade information.

Remember: a prepared response, designed specifically for your company, will save customers and avoid problems.

According to the ECOA (Equal Credit Opportunity Act) and the Federal Reserve Board the noticing requirements are as follows:

1. With respect to applications from a business that had gross revenue of \$1 million or less in its preceding fiscal year, a business credit grantor:
 - a. Notify the applicant either orally or in writing within 30 days of receiving a completed application concerning the approval of, counteroffer to, or adverse action taken and,

- b. When adverse action is taken, must provide a statement of the action taken, either orally or in writing. The statement shall contain the name and address of the creditor, the general provision notice of the ECOA and the name and address of the federal agency that administers compliance with respect to the creditor. Additionally, the statement of action taken must include either
 1. A statement of specific reasons for the action taken, or
 2. A disclosure of the applicant's rights to a statement of the reasons for adverse action within 30 days.
 - c. For applications made solely by telephone, a creditor may give an oral statement of the action taken and of the applicant's right to a statement of reasons for the adverse action.
2. And applicant has 60 days after the oral or written notice of an adverse action to request the reasons for such action in writing. In that event, the creditor has 30 days to respond. (Sample form c-7 published by the Federal Reserve Board may be used as a model for this response).
 3. Business credit grantors must retain all information used in making credit decisions for 1 year after the date on which the creditor notified the applicant that their request for credit was denied.

More information on these laws can be obtained at the following websites: (including other sample forms)

<http://www.usdoj.gov/crt/housing/regb.htm>

<http://www.ftc.gov/bcp/online/pubs/credit/ecoa.htm>