

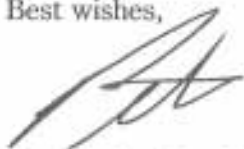
Dear Friends:

Here we are again at the beginning of a new year, fiscally speaking. We recently enjoyed celebrating the year's end at our annual awards banquet at the Buckhead Club in Atlanta. It's always gratifying to recognize the hard work and accomplishments of our very fine group of employees.

We face the new fiscal year with optimism and excitement about continuing to serve the individual needs of our valued clients while developing relationships with new customers. To that end, we again have begun planning an office expansion to accommodate our anticipated growth in the coming year.

We have a busy travel itinerary this fall. Please check the Calendar of Events - we hope to see many of you at association functions!

Best wishes,



Pete Szabo, President
Szabo Associates, Inc.

ECOA Makes New Demands On Trade Creditors

Recent changes in the Equal Credit Opportunity Act have created a hubbub in our industry in the last few months. Certainly any legislation that changes the way we do business warrants discussion; however, trade creditors need not be overly concerned about the ramifications of these amendments.

The Equal Credit Opportunity Act (ECOA) was basically designed to prevent discrimination in the extension of credit to consumers. Specifically, the act makes it unlawful for creditors to discriminate in any aspect of a credit transaction on the basis of sex, marital status, race, color, national origin, religion, age (provided the applicant has the capacity to contract), because all or part of the applicant's income derives from any public assistance, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. The ECOA also provides that a credit applicant has the right to obtain a written statement of reasons for a denial of credit and requires creditors to keep certain records on credit applications. The act is implemented by the Federal Reserve Board's "Regulation B."

Originally, Regulation B provided

limited exceptions from some of the requirements of the act for certain types of credit, including business credit. Then in October 1988, the ECOA was amended by the Women's Business Ownership Act, the primary intent of which was to provide small business owners with the same procedural rights under the ECOA that were afforded to consumer credit borrowers. The amendments require creditors to give business credit applicants notice of the right to obtain reasons for credit denial in writing and also to retain records on business credit applications for at least one year.

The test for deciding whether a transaction qualifies as business credit is one of primary purpose. For example, an open-end credit account used for both personal and business purposes is not a business credit unless the primary purpose of the account is business-related. A creditor may rely on an applicant's statement of the purpose for the credit requested.

Upon first perusal, the new ECOA amendments and requirements seem rather complex and intimidating. Upon careful study, however, it becomes clear that if you are a "trade creditor," which

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is exactly what people in our industry are, the changes are rather simple and have little impact. The term “trade credit” generally is limited to a financing arrangement that involves a buyer and a seller, such as a supplier who finances the sale of equipment, supplies, or inventory; it does not apply to an extension of credit by a bank or other financial institution for the financing of such items.

When the Federal Reserve Board adopted Regulation B amendments effective April, 1990, it identified the business credit applicants intended to be covered as those with gross revenues of \$1 million or less in the preceding fiscal year. This figure covers about 86 percent of all for-profit businesses. The Board additionally revised the provisions regarding notification and recordkeeping that govern credit transactions involving businesses with more than \$1 million in gross revenues.

Once you are identified as a trade creditor, however, the specific regulations regarding notification and recordkeeping for businesses with gross revenues of \$1 million or less become irrelevant. As a trade creditor, you need only to concern yourself with the following requirements, regardless of the size of your prospective client’s business:

Notification:

1. Action Taken: You must notify your applicant of the action taken regarding extension of trade credit, orally or in writing, within a reasonable time. Thirty days is

considered to be a reasonable time frame for compliance with this regulation.

2. Reasons for Adverse Action: You must provide a written statement of the reasons for adverse action and the ECOA notice if the applicant makes a written request for the reasons within 60 days of being notified of the adverse action.

The statement of reasons must be specific and must indicate the principal reason or reasons for the adverse action. It is insufficient to state, for example, that the action was based on the creditor’s internal standards or policies or that the applicant failed to achieve the qualifying score on the creditor’s credit scoring system.

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True Collections

The following story is true. The names, places, and dates have been changed to protect the persons involved.

The Game Is A Shame (But The Dame Is To Blame)

It’s all her fault. If it hadn’t been for Dolores, this situation never would’ve happened.

Life was simple before Dolores. I had a few buddies and a cat and none of us asked much of each other. Dolores changed all that. My buddies got tired of having to

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“Collector’s Corner” is our readers’ forum for suggestions, comments, and idea swapping. If you have information to share or input on how our newsletter can better serve you, please write or call. We want to hear from you!

Question: What is a levy?

T.P., Orlando, FL

Answer: A levy is simply the legal seizure of a debtor’s assets to satisfy a judgment. The seizure is done at the direction of the creditor’s attorney by the sheriff or U.S. marshal. Before a levy is made, the attorney usually locates specific assets which have value and no outstanding liens.

Question: How long is a judgment valid?

K.S., Syracuse, N.Y.

Answer: The time at which judgments become dormant varies among the states. In most states, a judgment is valid for seven years. For a nominal fee, judgments can be renewed for an additional seven years.



True Collections

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keep their feet off the coffee table and they quit calling, the cat got tired of being shooed off the bed and it left, and Dolores got tired of me and she took up with some high roller from Saginaw. As for the last one, I probably would've never been the wiser except that I happened to find a room key from the Bird of Paradise Motel on Highway 86 in the bathroom cabinet when I was rummaging around for a roll of ... well, it always seemed oddly appropriate that I should find it that way.

I guess we got married for the same reasons most people do, and then it didn't work out for the same reasons it usually doesn't. Only it seems to me that we've got things backwards. I mean, it ought to be real hard to get married and real easy to get divorced instead of the other way around.

Anyway, I admit I was no angel myself, which Dolores knew when she and her hot-shot lawyer decided to go after my assets. I had to do something to protect myself and that's when I created the agency. Actually, I wasn't a half-bad ad man if I say so myself. And the corporation was perfectly legitimate. So what if the credit references were a few old Marine pals and a couple of cousins in Grand Rapids. They were checked out and I passed. It's kind of hard to believe they actually fell for it.

Well everyone was happy for awhile, except the divorce got nastier and the legal bills started rolling in like gangbusters, and so the stations kind of got the short end of the stick.

What's that, you ask? How much? Well, let's see. There was that three-week flight in the Flint, Michigan market. That one was worth a few thousand right there. Then there was the Springfield, Missouri buy, and that one out in ... oh, I guess it adds up to about twenty thousand, all totalled.

Hmm? Yeah, this collection agency guy got suspicious when all these stations started calling in a panic all at once, asking if there was anything on me. He started piecing things together, and then he found out that the bank information was bogus and that the corporation was only two months old.

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Calendar of Events

Broadcast Executives
of Tulsa
Tulsa, Oklahoma
October 3
(Pete Szabo
will be featured
luncheon speaker)

Advertising Media Credit
Executives Association
Chicago, Illinois
October 15-19

Broadcast Credit Association
Toronto, Ontario, Canada
October 16-17
(Pete Szabo
will be guest panelist.)

Television Bureau
of Advertising
Annual Conference
Dallas, Texas
November 14-16

Los Angeles
Media Credit Association
Luncheon
Los Angeles, California
November 15
(Robin Szabo
will be guest speaker)

Szabo Christmas Bash
Atlanta, Georgia
December 1



"HOW CAN YOU SAY I'VE GOT TOO MUCH DEBT TO GET THIS LOAN? I'VE GOT THREE CREDIT CARDS I HAVEN'T EVEN USED YET."

ECOA Demands

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Acceptable reasons for adverse action include: Insufficient number of credit references; Unacceptable type of credit references provided; Unable to verify credit references; Insufficient length of time in business; Income insufficient for amount of credit requested; Excessive obligations in relation to income; Unable to verify revenues; No credit file; Limited credit experience; Poor credit performance with us; Delinquent past or present credit obligations with others; Garnishment, attachment, foreclosure, repossession, collection action, or judgment.

The ECOA notice must be substantially similar to the following:

"The federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580."

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Record Retention:

The regulation regarding record retention as it applies to trade credit is fairly simple: You must retain records for at least 60 days after notifying the applicant of the action taken. If within that time period the applicant requests in writing the reasons for adverse action or that records be retained, you must retain the records for 12 months.

You must retain this information beyond 12 months if you receive actual notice that you are under investigation or are subject to an enforcement proceeding for an alleged violation by the Attorney General of the United States or by an enforcement agency charged with monitoring compliance. In this case, you must retain the information until final disposition of the matter, unless the agency or court allows disposal at an earlier time.

Perhaps the most notable aspect of the ECOA amendments is that the act was changed at all. The precedent for modification may open the door for additional scrutiny and legislation in the future. Presently, however, the impact on you — the trade

creditor — is minimal. And as always, we will continue to do our best to keep you abreast of any changes in the law that could affect your business. ♦

True Collections

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What? You've got to be kidding. You can't get blood from a turnip. Those stations should consider themselves lucky. It could've been a lot worse for them and anyway, am I responsible if they believe my cousin Chuck about me being in business ten years? The same guy who tells me he keeps regular hours now as a used car parts salesman? (But actually, I hear Chuck's not lying about that one. He opens his trunk for business promptly at midnight.)

But, you know, it was summertime, and these stations were pretty hungry for my business and got sloppy and that's not my problem. Let 'em call Dolores if they want to cry about it. After all, it's all her fault. ♦

— story contributed by Robbie Knight

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