

Payments During COVID-19

We live in strange times. A viral pandemic has swept the globe. The Pentagon has released video of UFOs. The world's largest hornet species has invaded the U.S. What sounds like a poorly written Stephen King novel has become reality. Yet despite the chaos, many credit professionals are successfully keeping themselves grounded by maintaining some state of normalcy in their daily operations. The most consistent routine among most credit professionals is their payment process, beginning with credit approval through payment collection.

According to NACM's April Coronavirus survey, nearly 25% of respondents said none of their customers requested extended terms, while nearly 75% said none of their customers requested credit line increases. Furthermore, in NACM's March survey, fewer credit professionals said they approved customer requests for credit line extensions during COVID-19 than before the outbreak. For several credit professionals, the payment process is business as usual.

At Corey Construction in Houston, Texas, Credit and Collections Analyst Kate Hooper said her department begins with net 30-day terms for all new customers, unless upper management requests terms be shortened or extended. With most customers set at net 30 days, the department can easily stay within the state's lien rights guidelines. Late payments for any non-new production invoices are addressed by a sales person/project manager, who will contact the customer via phone, text or email to request reason for late payment.

"We perform weekly aging reports on all past dues and send out demand letters/intent letters and liens accordingly," Hooper said. "However, we do not send demands/intents/liens to our new production customers, but we do send weekly past due emails with their invoices attached."

Once they lien a customer, the department places that customer on hold for any new work in the system as to not create a bigger aging issue. Hooper said they also hand over any liened customers to their legal counsel to pursue via demand letter from their law firm, civil suit or what they may feel is necessary for Corey Construction to get payment.

Hooper said the company hasn't slowed down since COVID-19, but has made special exceptions for customers to pay via credit cards and waive the 3% fee.

"I believe it is very important for our credit department to maintain some normalcy, especially because there is no extension of the Texas lien rights amid this epidemic," she said. "In order to uphold our rights, we still must send out demand letters, intent letters and liens to the county clerk's office in the timeframe allotted to stay within the rights of the law. It is also important that we stay on top of our aging reports to remind our customers payment is still due and to contact us for special circumstances."

Operations must continue at Company Wrench, Ltd. as well, said Finance and Credit Manager Kris Stephenson, CBA, CCRA. Despite a slowdown in applications to establish new open accounts, he said, there has been an increase in applications for the purchase of capital assets. Company Wrench sets terms similarly to Corey Construction, typically at net 30 days; however, terms may be extended to net 45 or 60 days depending on the customer's trade credit history.

To stay on top of late payments, Stephenson said calls are made starting at 60 days to confirm receipt of the invoices, ferret out problems and push for payment. The pandemic has presented challenges to the credit department, but business is manageable.

“We have maintained our credit staff and added two individuals to help assist with follow-up and soft collections,” Stephenson said. “Besides those items, we have maintained a ‘business-as-usual’ attitude as we operate a necessary business and serve infrastructure, utilities and transportation segments. If we do not maintain a sense of normalcy, then our business model and bottom line will suffer.”

—Andrew Michaels, editorial associate