

Do's and Don'ts of Credit Applications



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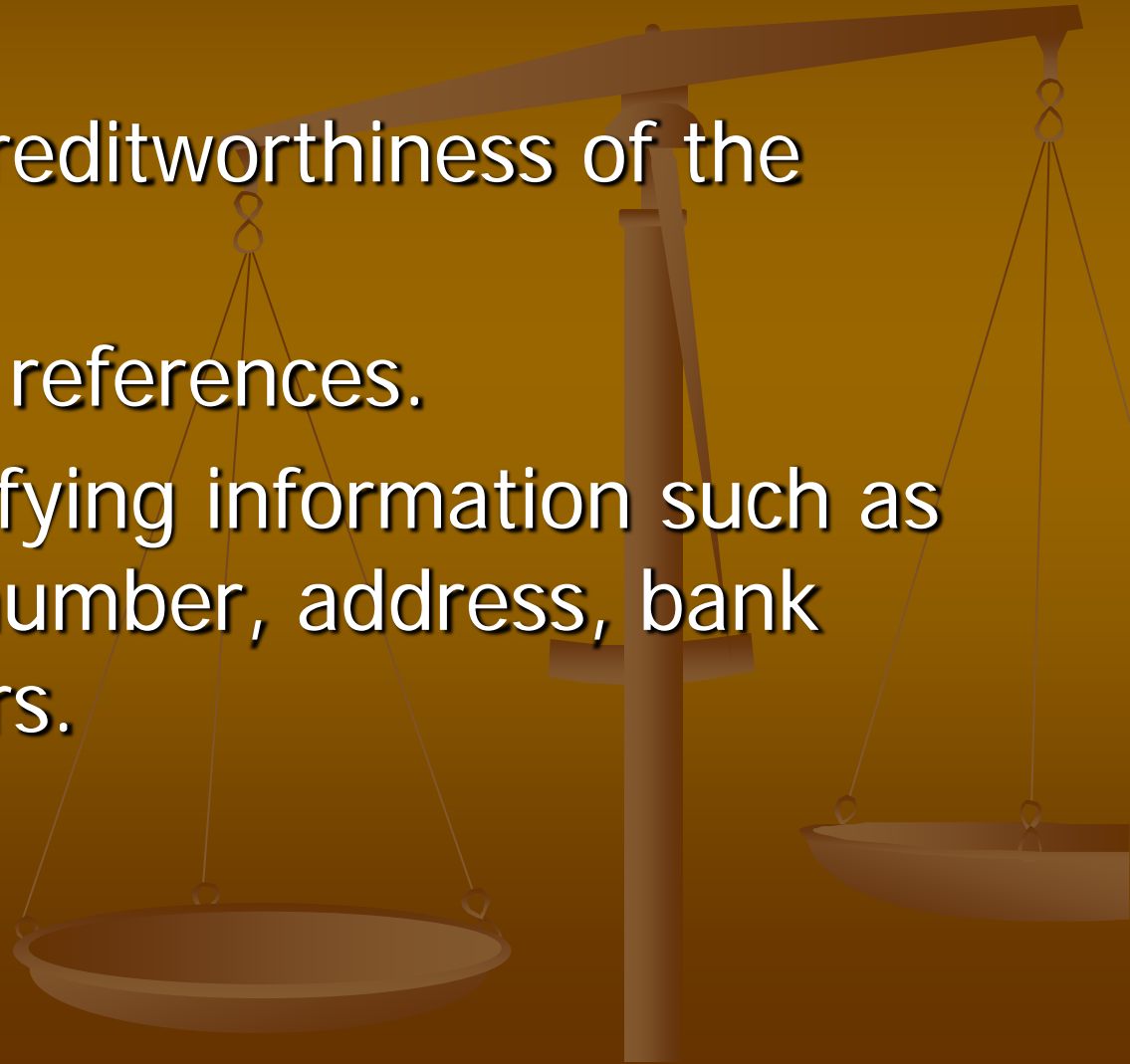
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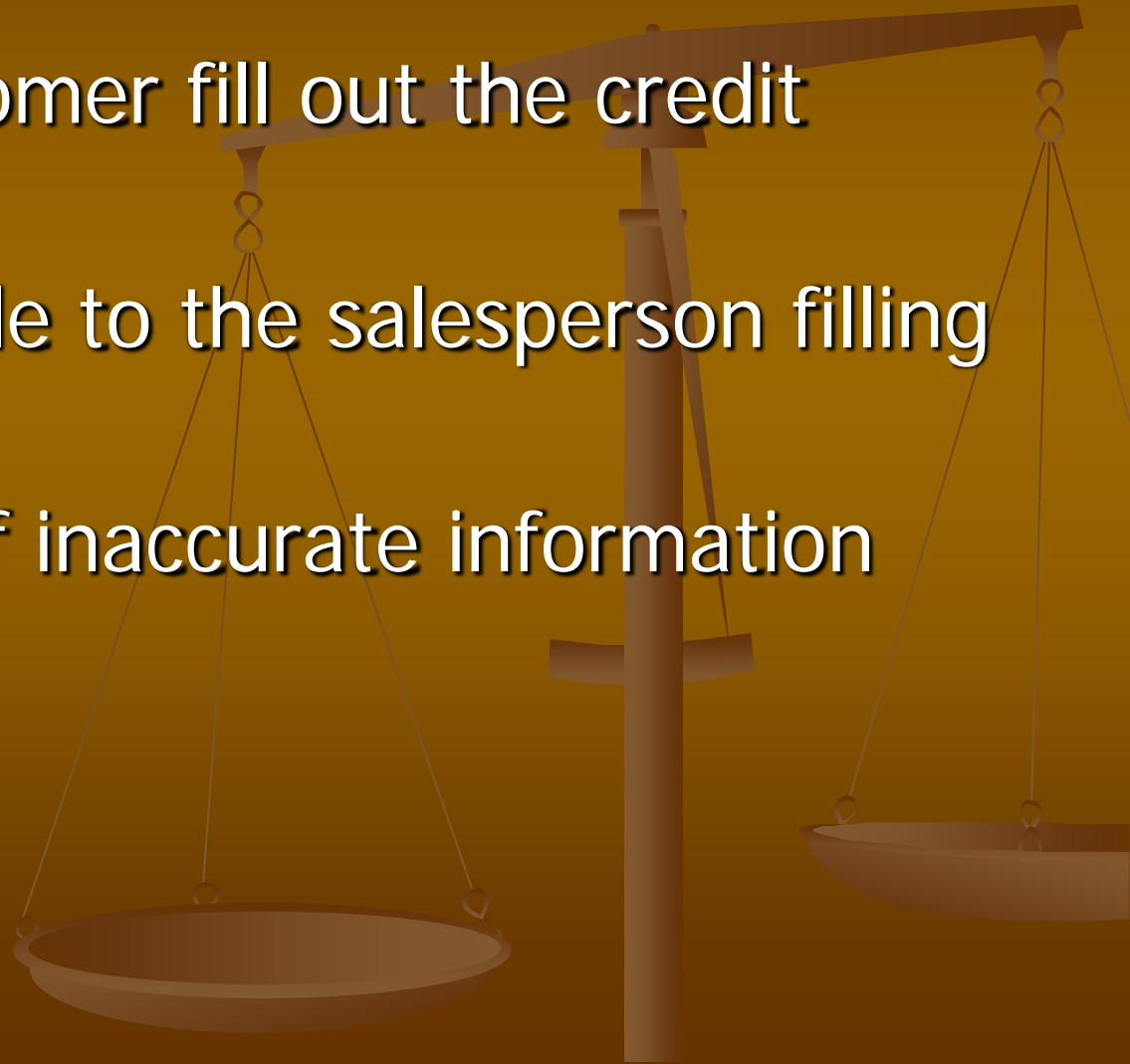
Purpose of a Credit Application

- To assess the creditworthiness of the customer.
- To obtain trade references.
- To obtain identifying information such as social security number, address, bank account numbers.



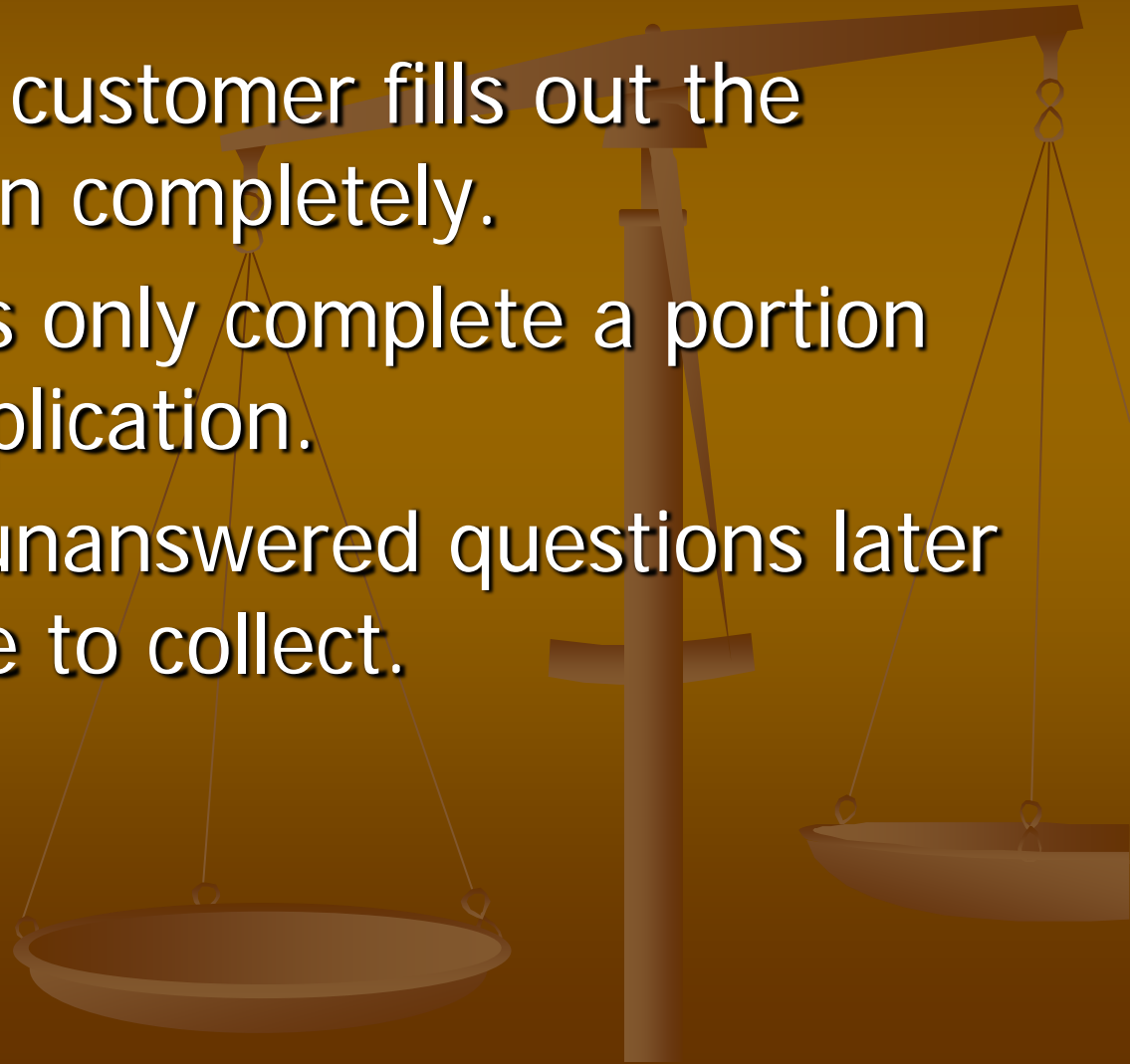
DO'S OF CREDIT APPLICATIONS

- Have your customer fill out the credit application.
- This is preferable to the salesperson filling it out.
- Avoids claims of inaccurate information later.



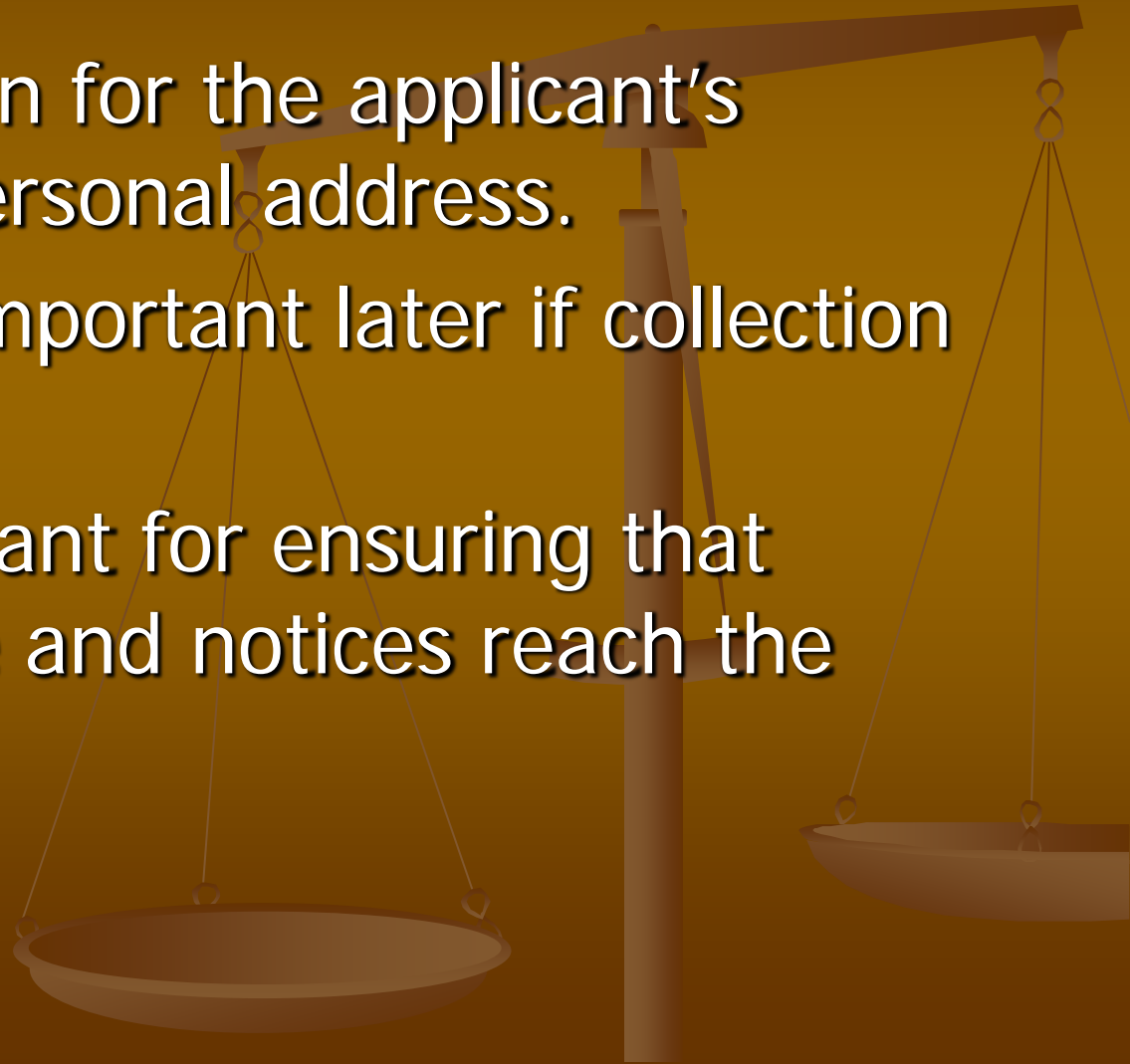
DO'S OF CREDIT APPLICATIONS

- Ensure that the customer fills out the credit application completely.
- Many customers only complete a portion of the credit application.
- This can leave unanswered questions later should you have to collect.




DO'S OF CREDIT APPLICATIONS

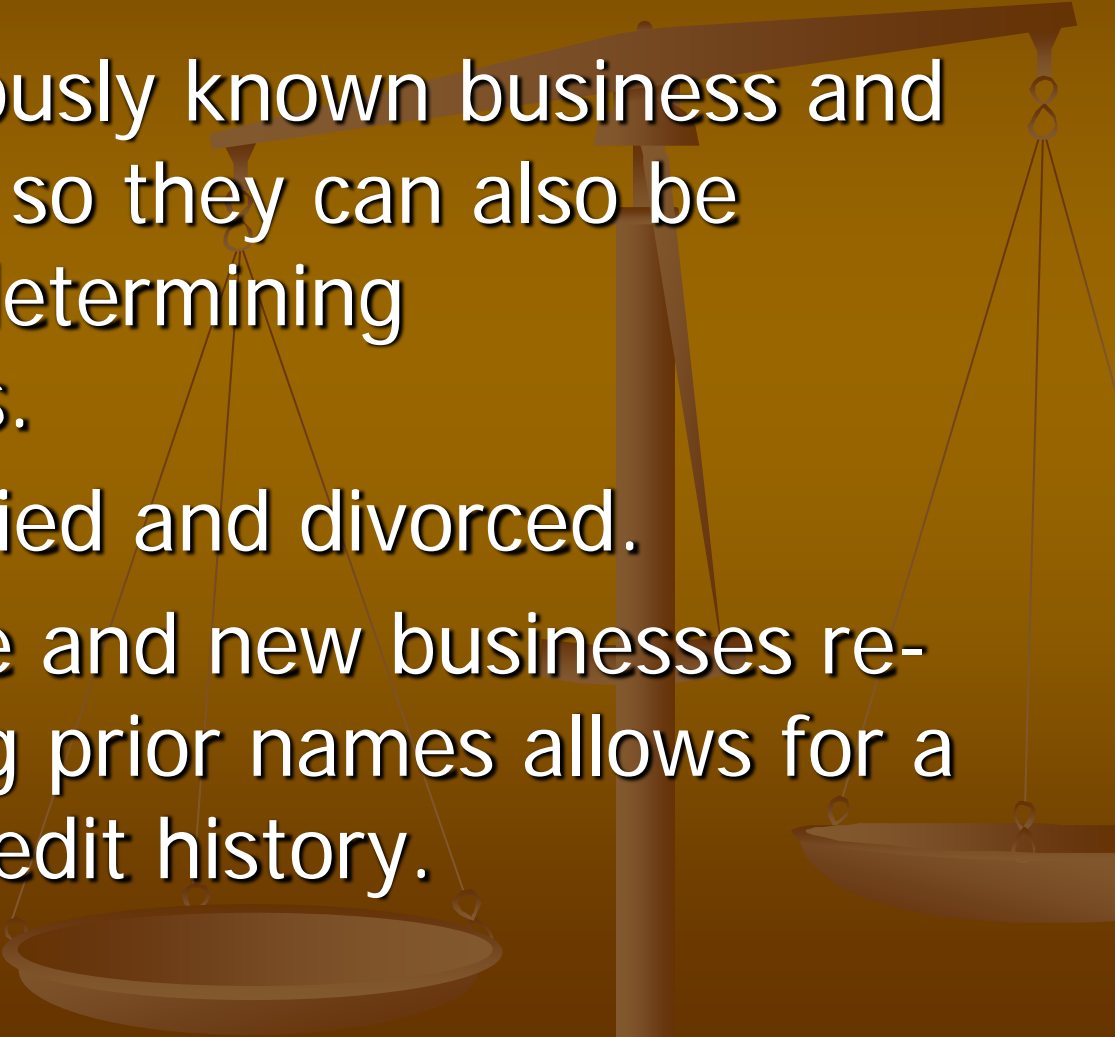
- Include a section for the applicant's business and personal address.
- This becomes important later if collection is necessary.
- It is also important for ensuring that correspondence and notices reach the customer.



DO'S OF CREDIT APPLICATIONS

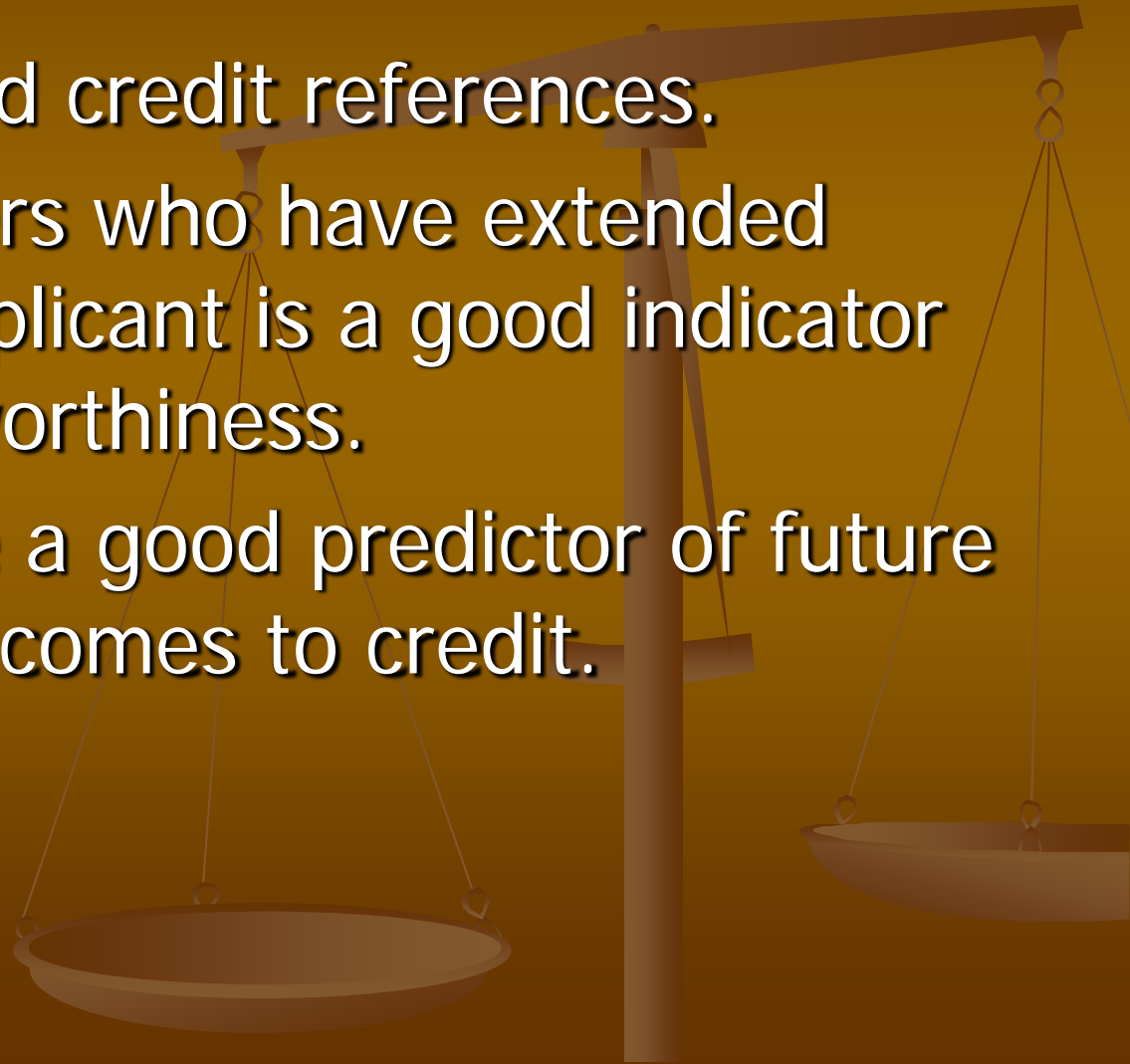
- Obtain the federal identification number of the customer and social security number of the customer.
 - These identification numbers are used by credit check organizations and are required by most banks if collection becomes necessary.
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DO'S OF CREDIT APPLICATIONS

- Obtain all previously known business and personal names so they can also be checked when determining creditworthiness.
 - People get married and divorced.
 - Businesses close and new businesses re-open. Obtaining prior names allows for a full picture of credit history.
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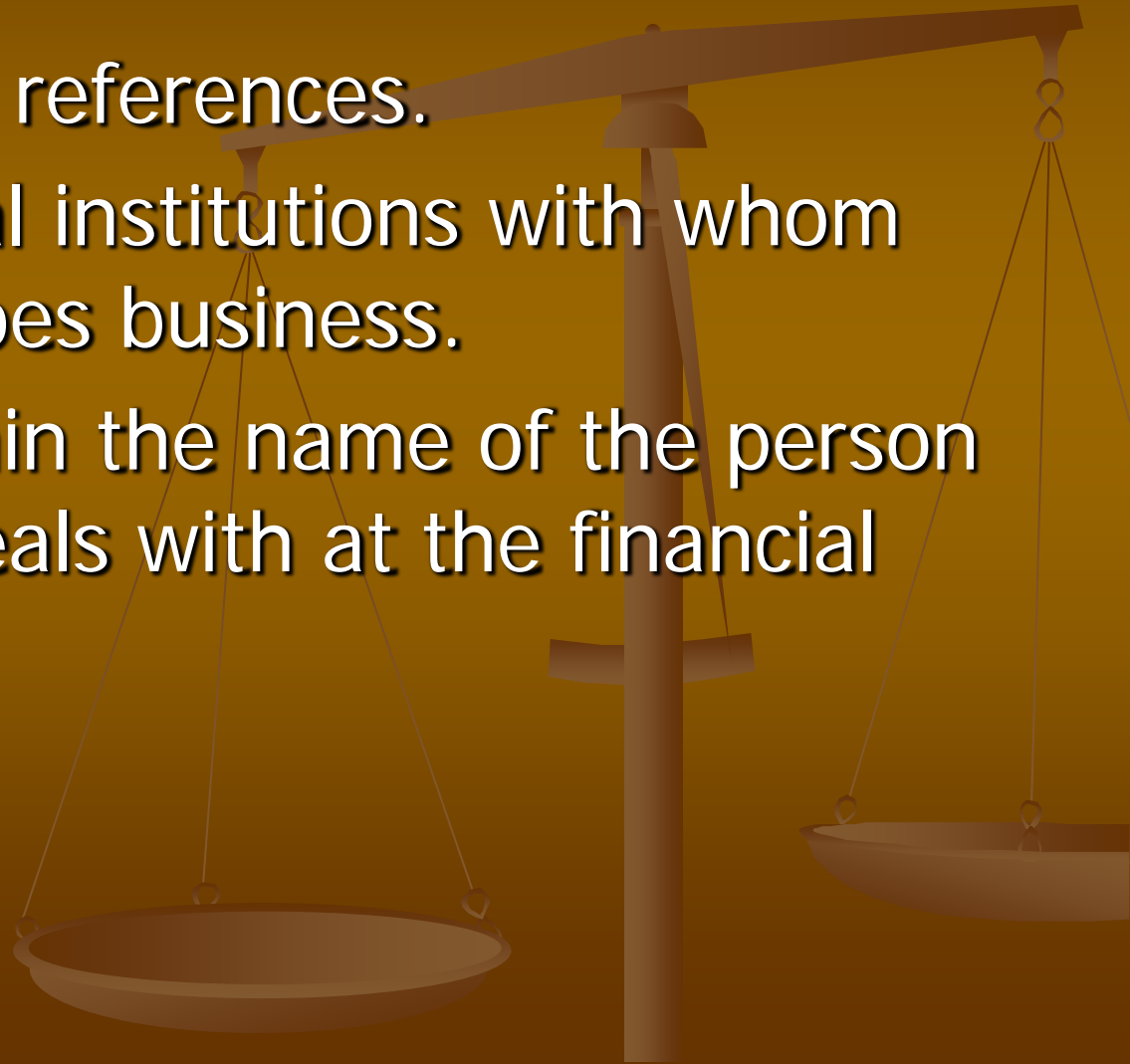
DO'S OF CREDIT APPLICATIONS

- Obtain trade and credit references.
- Contacting others who have extended credit to the applicant is a good indicator of their credit worthiness.
- Past actions are a good predictor of future actions when it comes to credit.

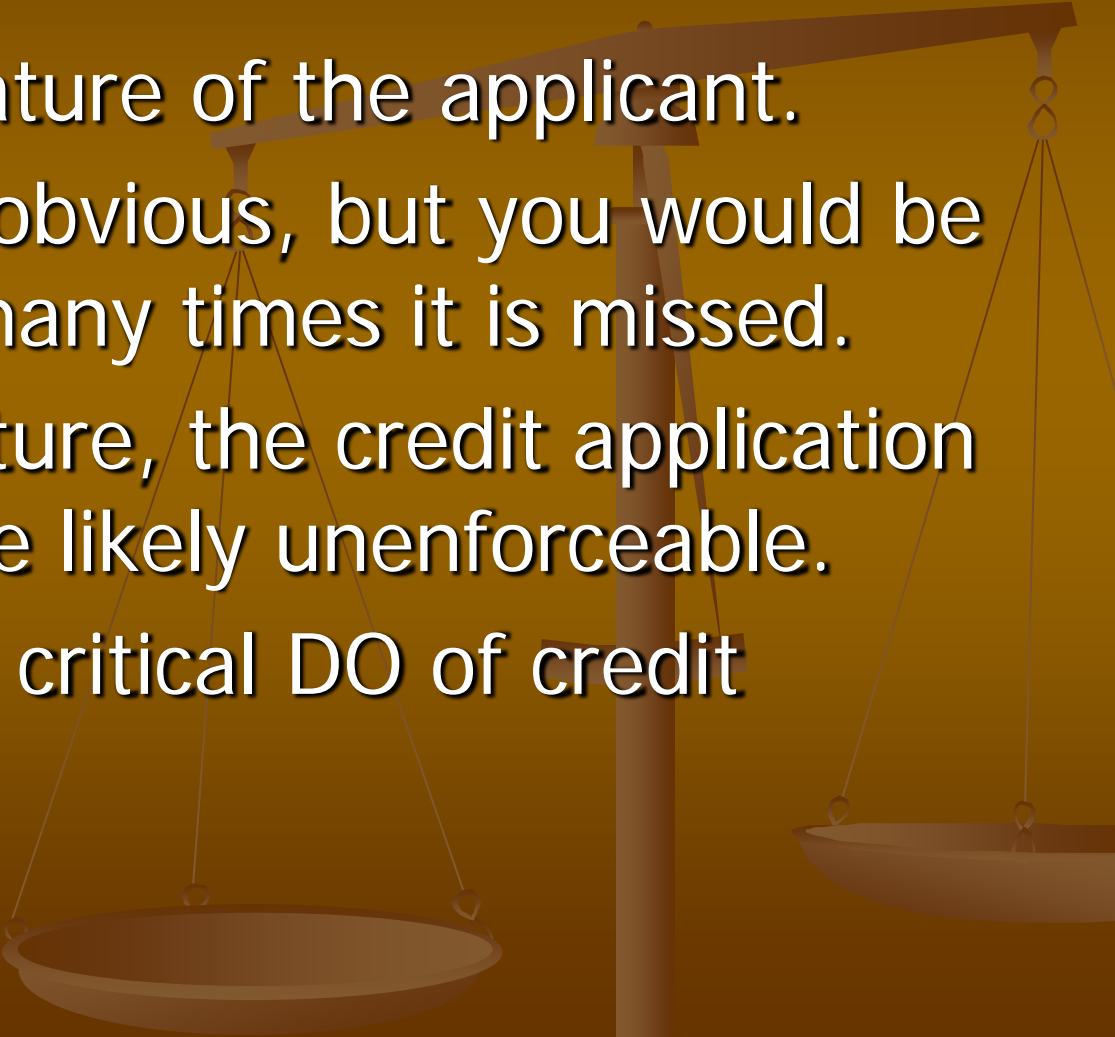


DO'S OF CREDIT APPLICATIONS

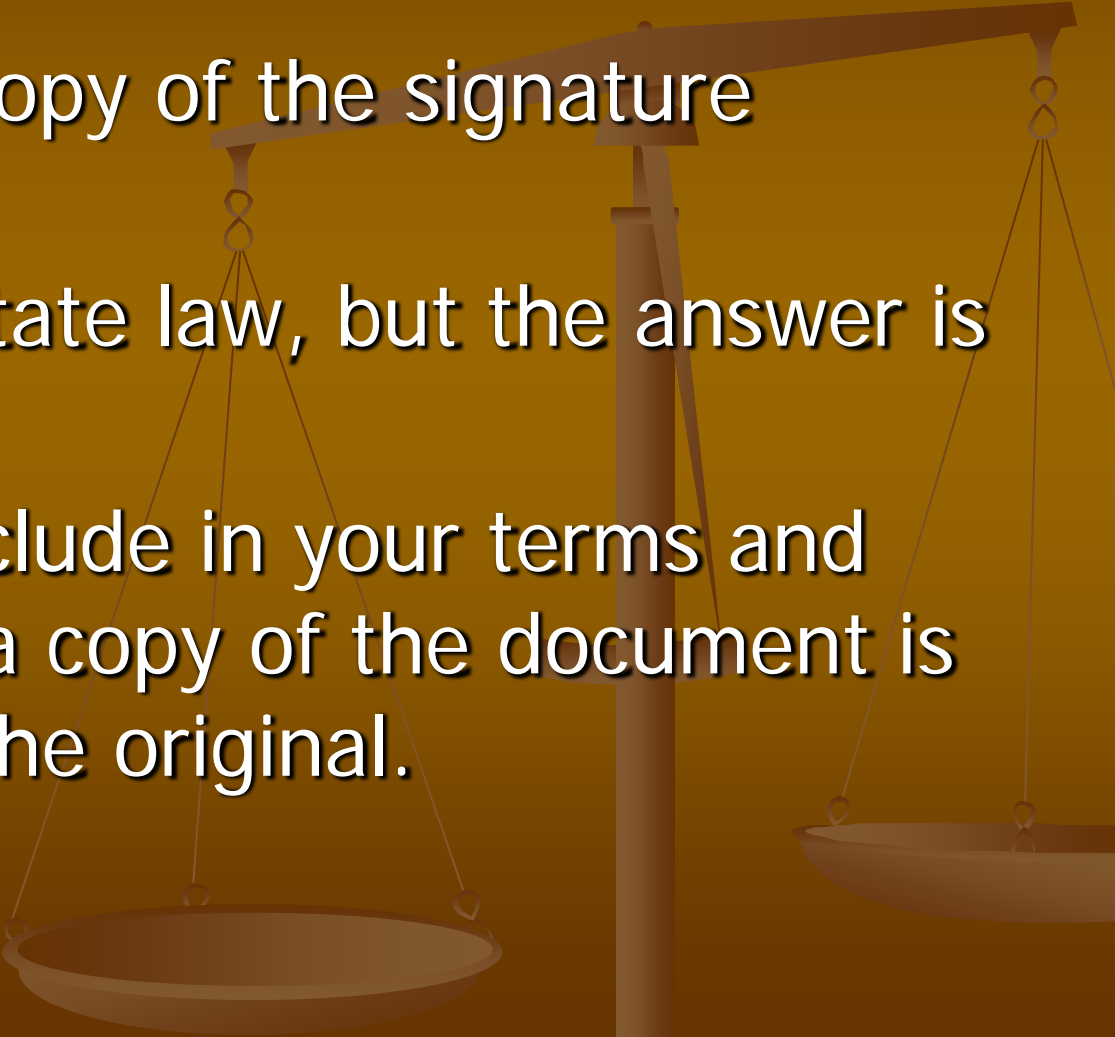
- Obtain financial references.
- Contact financial institutions with whom the applicant does business.
- Preferably, obtain the name of the person the applicant deals with at the financial institution.



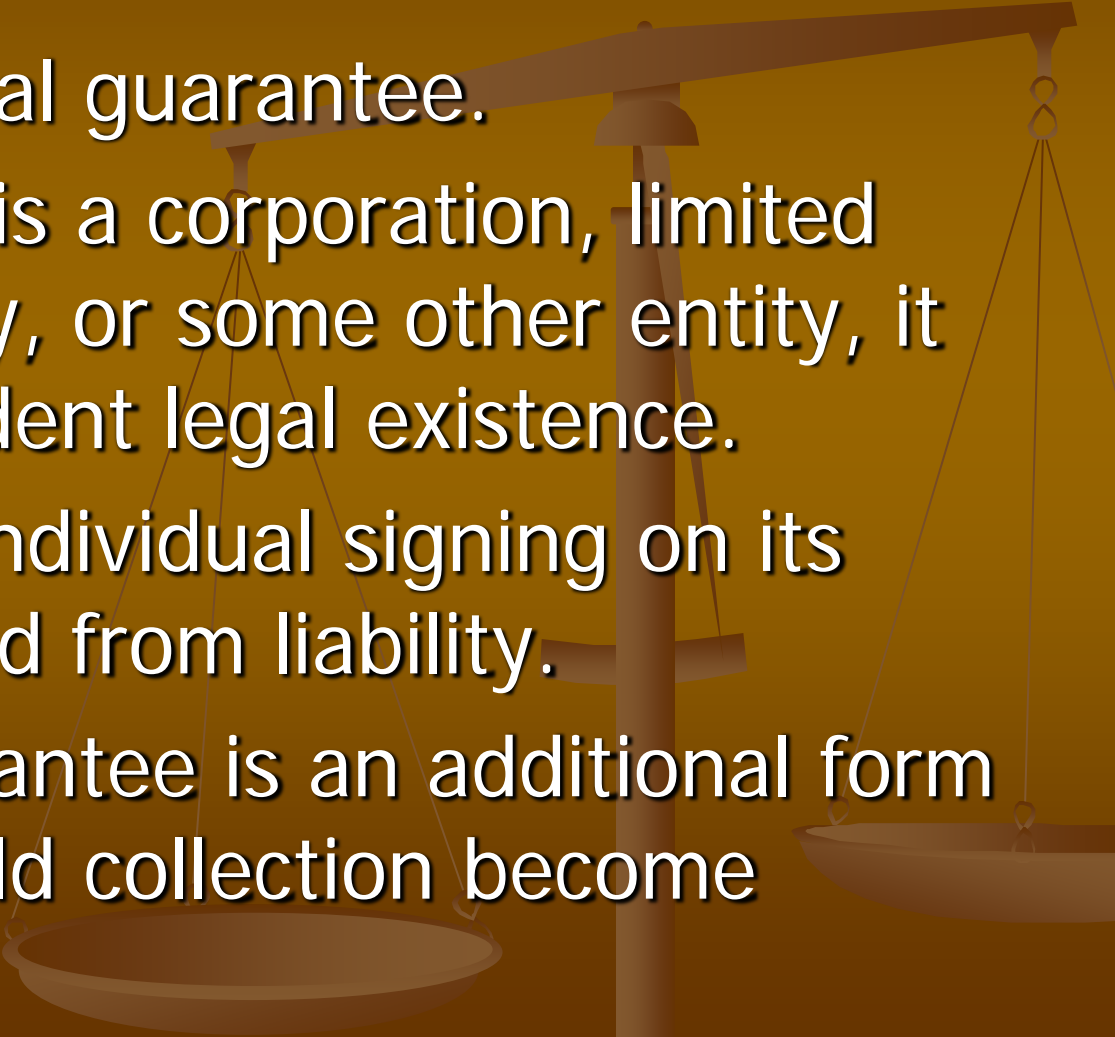
DO'S OF CREDIT APPLICATIONS

- Obtain the signature of the applicant.
 - This may seem obvious, but you would be surprised how many times it is missed.
 - Without a signature, the credit application and its terms are likely unenforceable.
 - This is the most critical DO of credit applications.
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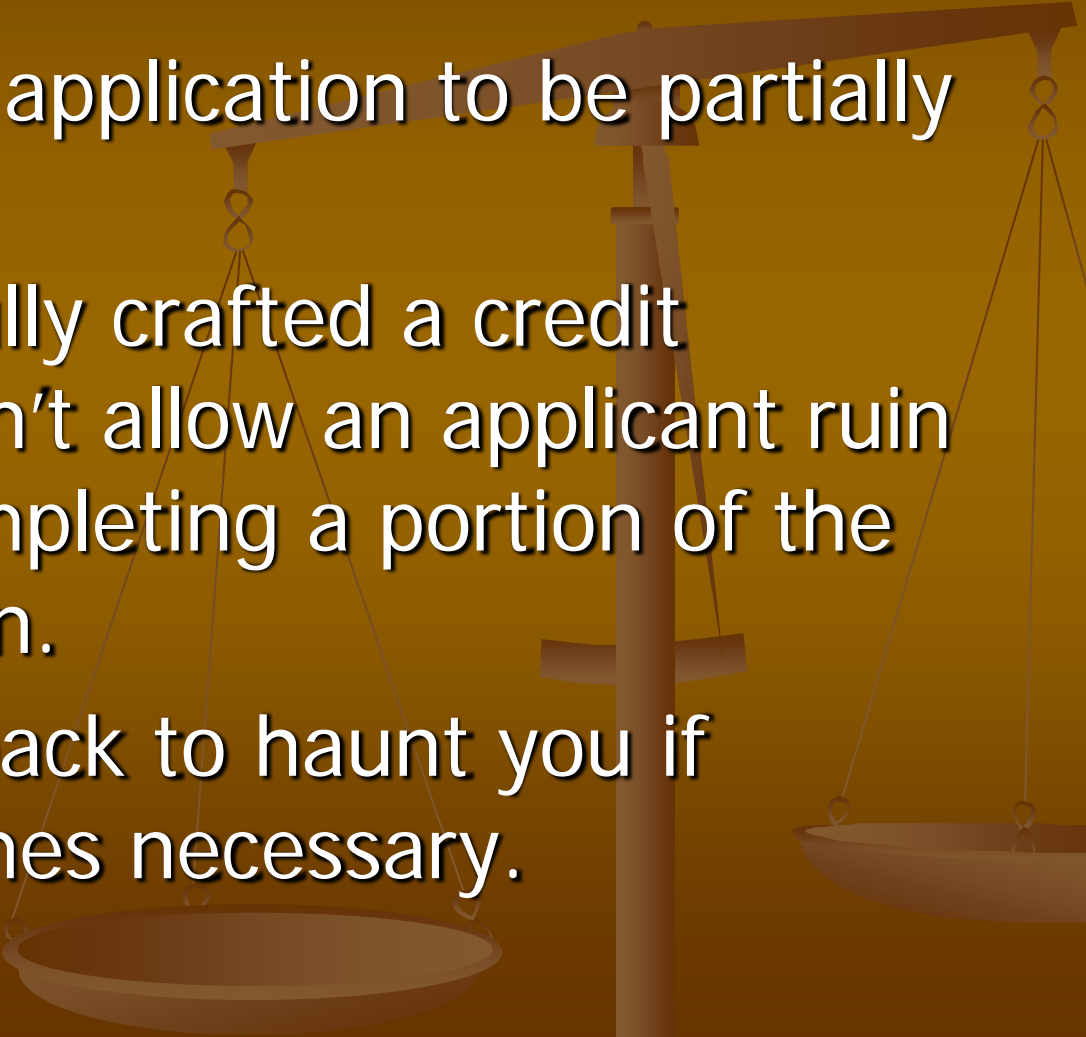
DO'S OF CREDIT APPLICATIONS

- Is a pdf or fax copy of the signature acceptable?
 - It depends on state law, but the answer is usually yes.
 - Make sure to include in your terms and conditions that a copy of the document is enforceable as the original.
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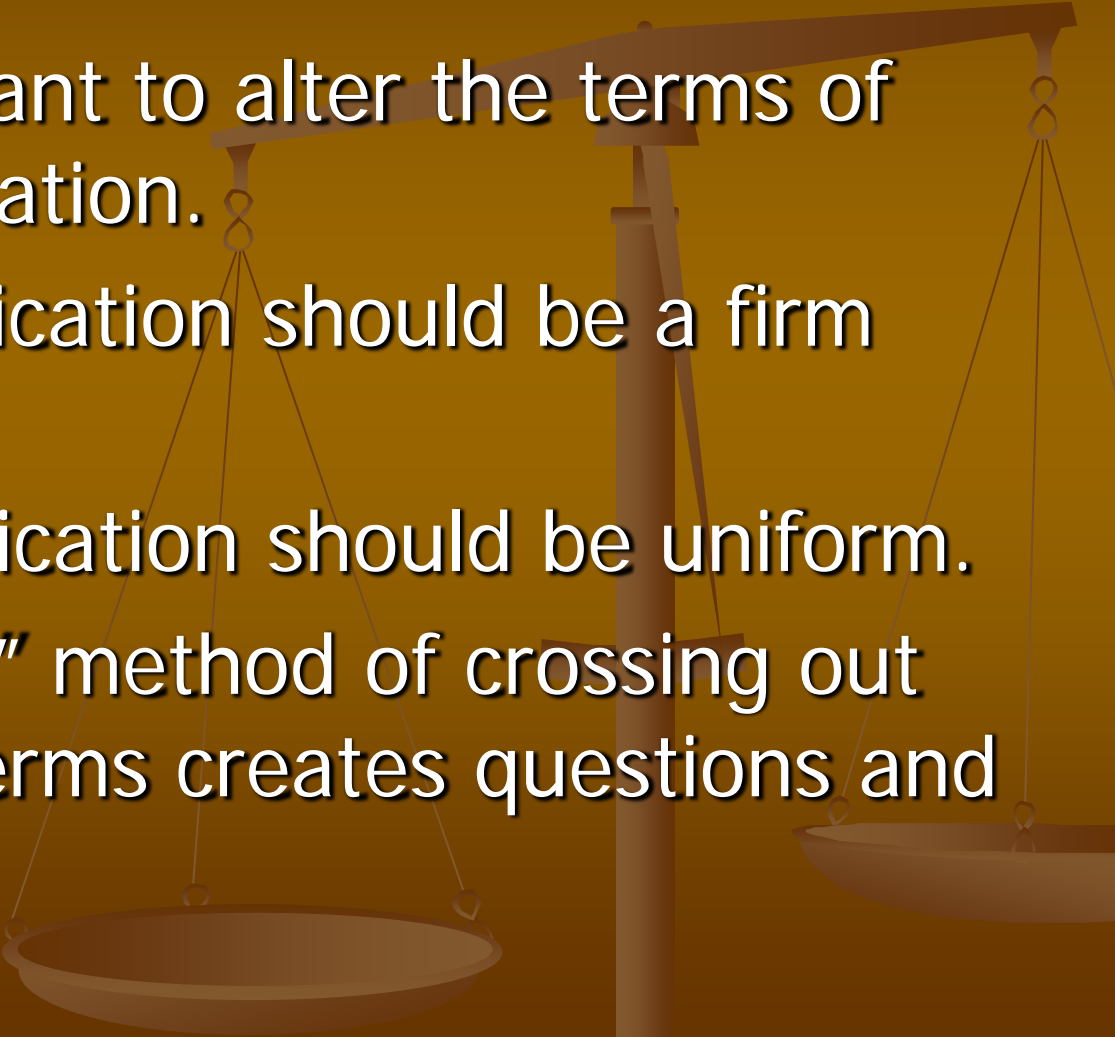
DO'S OF CREDIT APPLICATIONS

- Obtain a personal guarantee.
 - If the applicant is a corporation, limited liability company, or some other entity, it has an independent legal existence.
 - Therefore, the individual signing on its behalf is shielded from liability.
 - A personal guarantee is an additional form of security should collection become necessary.
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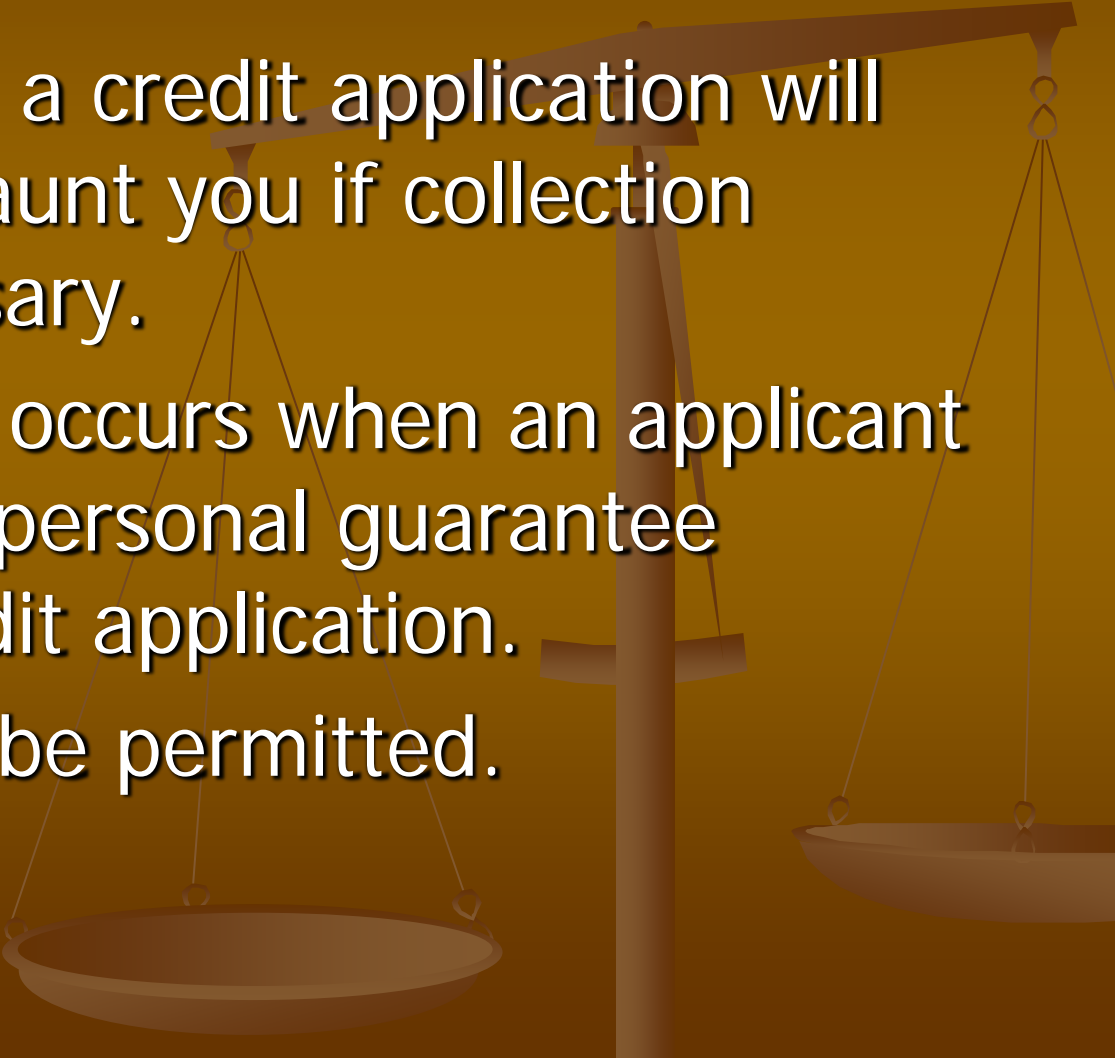
DON'TS OF CREDIT APPLICATIONS

- Allow the credit application to be partially completed.
 - You have carefully crafted a credit application. Don't allow an applicant ruin that by only completing a portion of the credit application.
 - This will come back to haunt you if collection becomes necessary.
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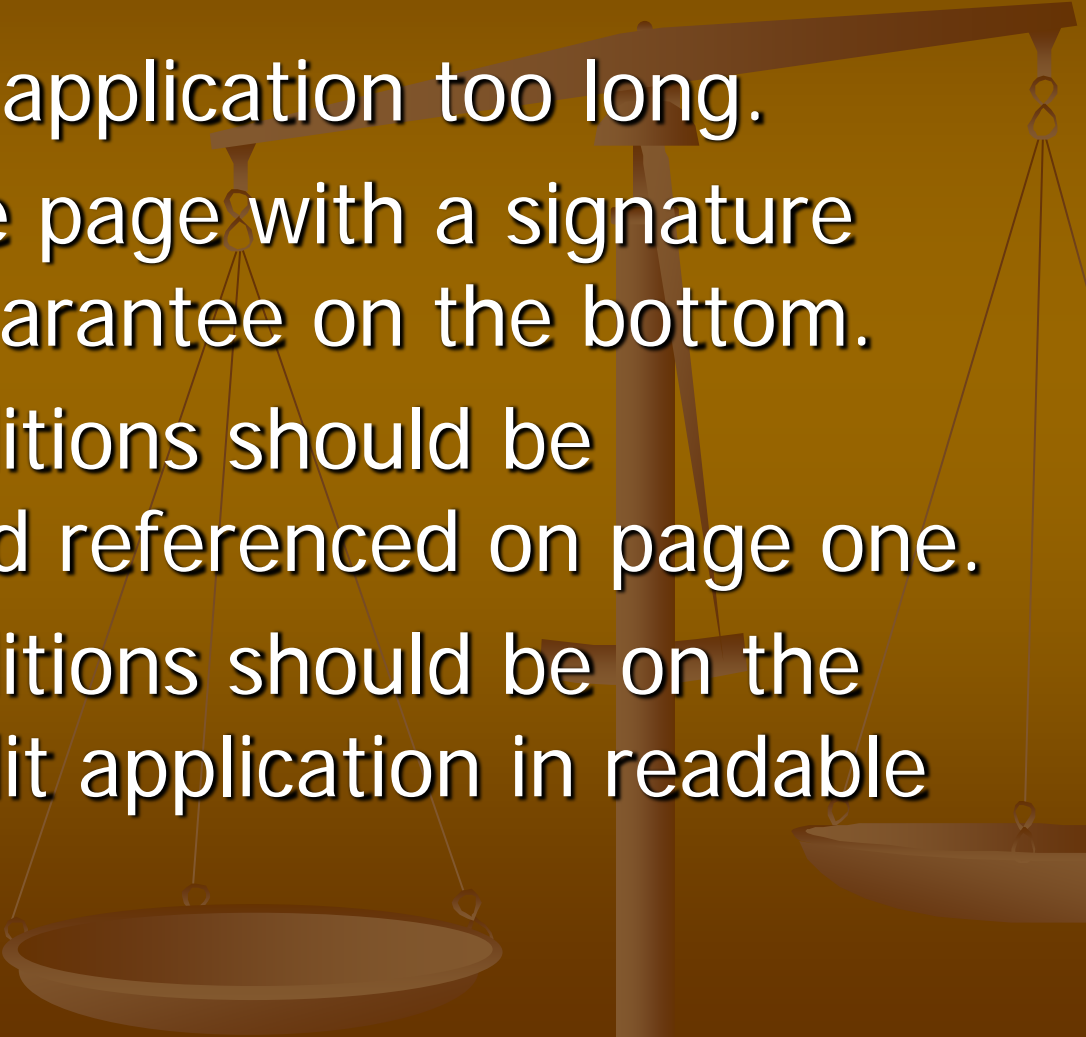
DON'TS OF CREDIT APPLICATIONS

- Allow the applicant to alter the terms of the credit application.
 - Your credit application should be a firm offer.
 - Each credit application should be uniform.
 - "Slash and burn" method of crossing out and writing in terms creates questions and confusion.
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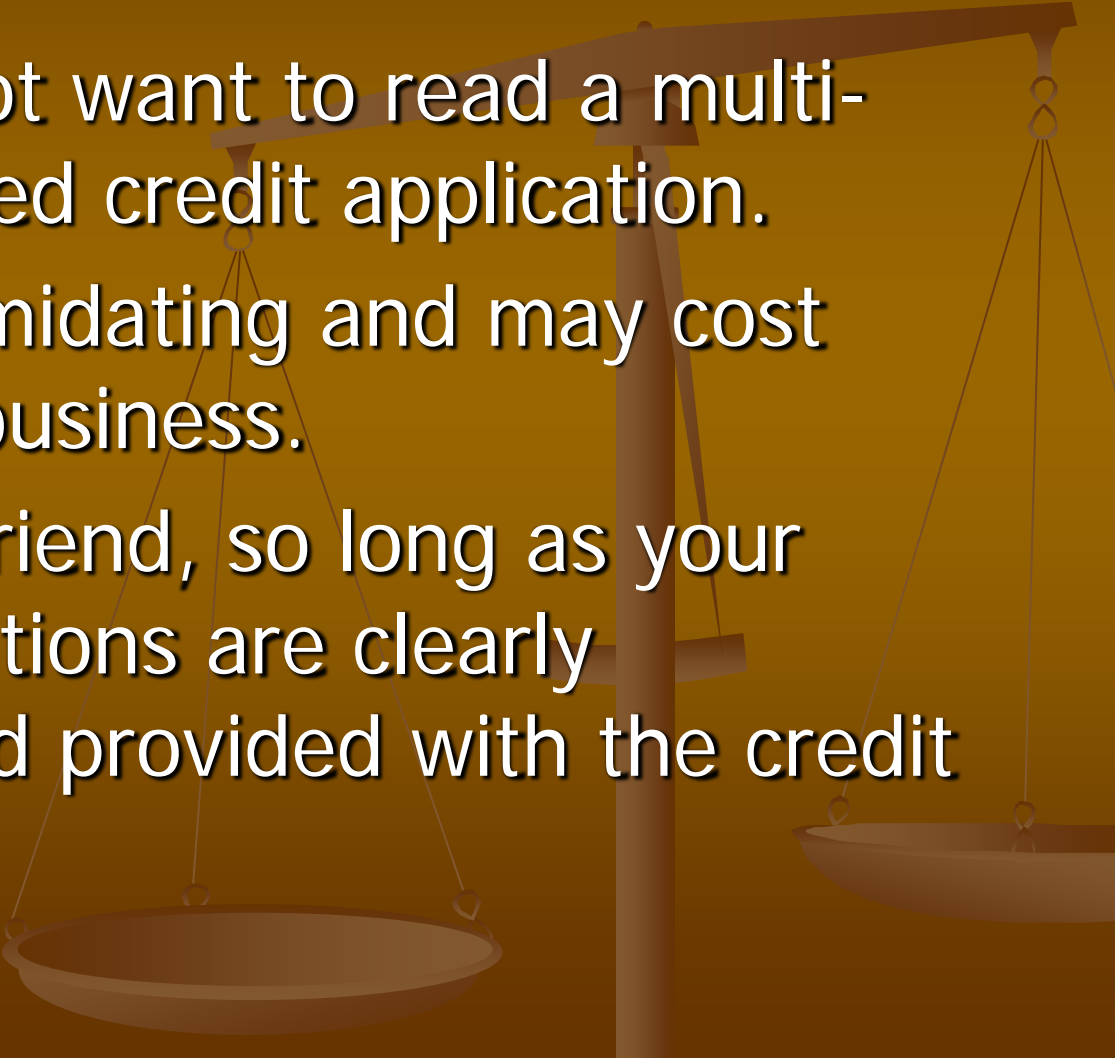
DON'TS OF CREDIT APPLICATIONS

- Altered terms in a credit application will come back to haunt you if collection becomes necessary.
 - Many times this occurs when an applicant crosses out the personal guarantee section of a credit application.
 - This should not be permitted.
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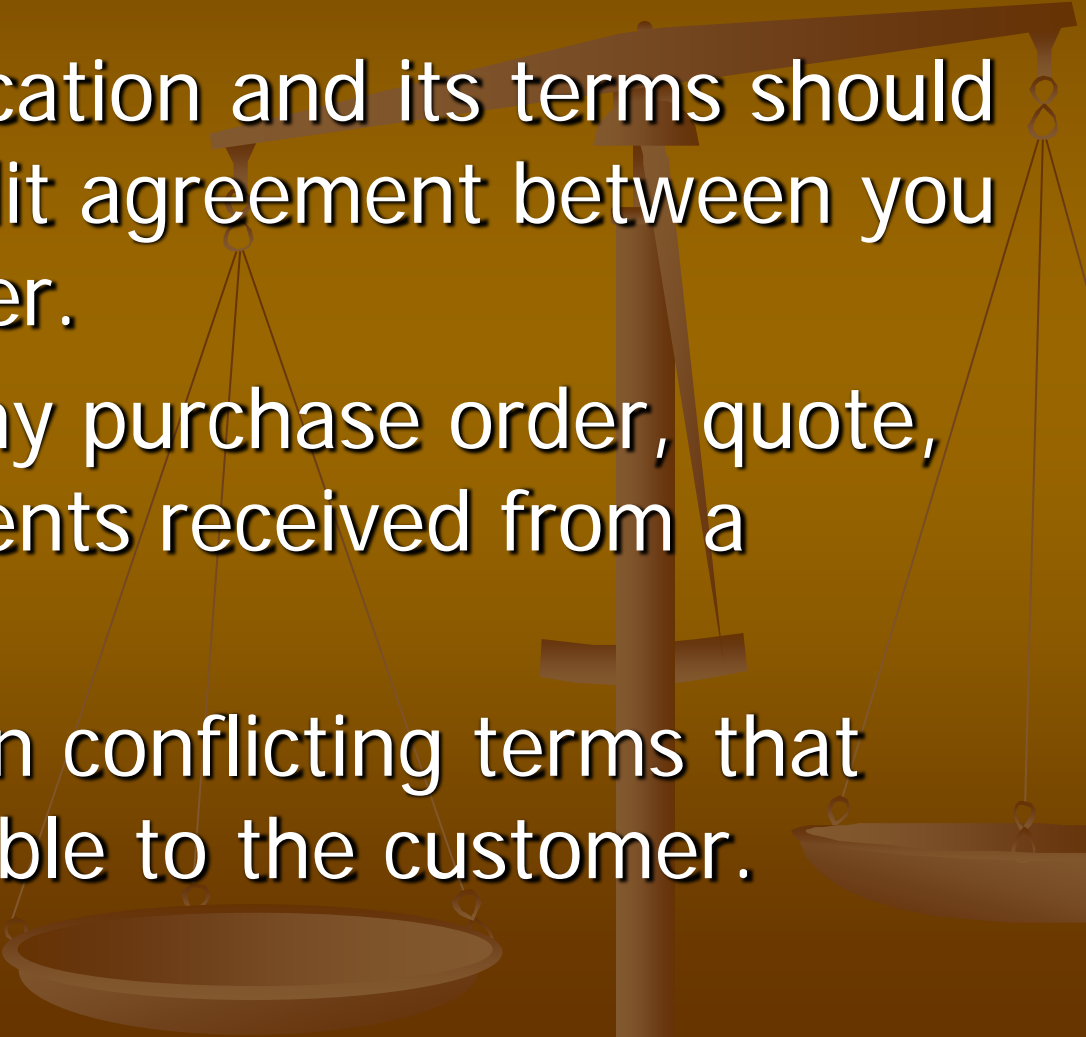
DON'TS OF CREDIT APPLICATIONS

- Make the credit application too long.
 - It should be one page with a signature and personal guarantee on the bottom.
 - Terms and conditions should be incorporated and referenced on page one.
 - Terms and conditions should be on the back of the credit application in readable size font.
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DON'TS OF CREDIT APPLICATIONS

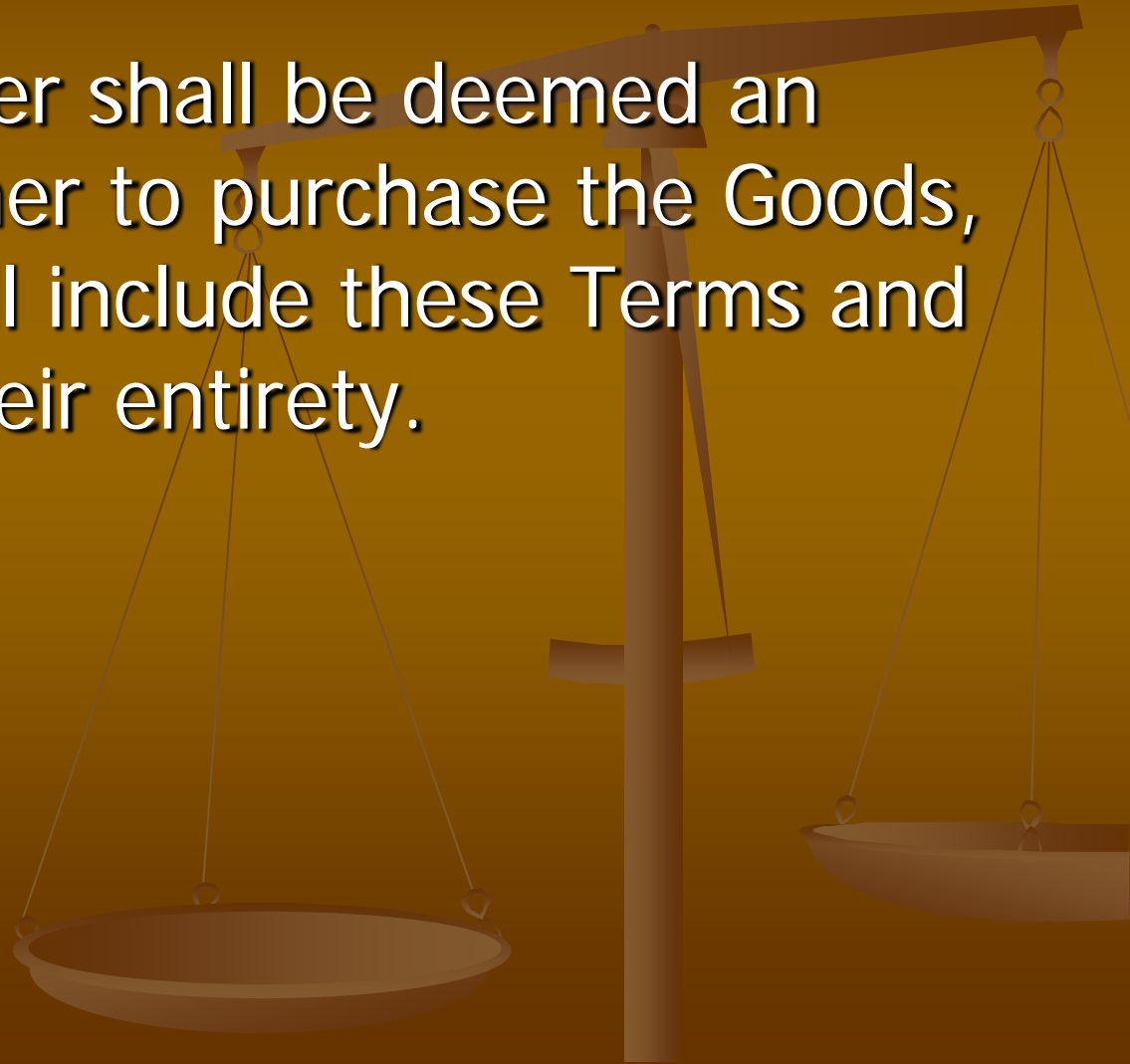
- Applicants do not want to read a multi-page, complicated credit application.
 - This can be intimidating and may cost your employer business.
 - Brevity is your friend, so long as your terms and conditions are clearly incorporated and provided with the credit application.
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DON'TS OF CREDIT APPLICATIONS

- The credit application and its terms should be the only credit agreement between you and the customer.
 - Avoid signing any purchase order, quote, or other documents received from a customer.
 - They can contain conflicting terms that are more favorable to the customer.
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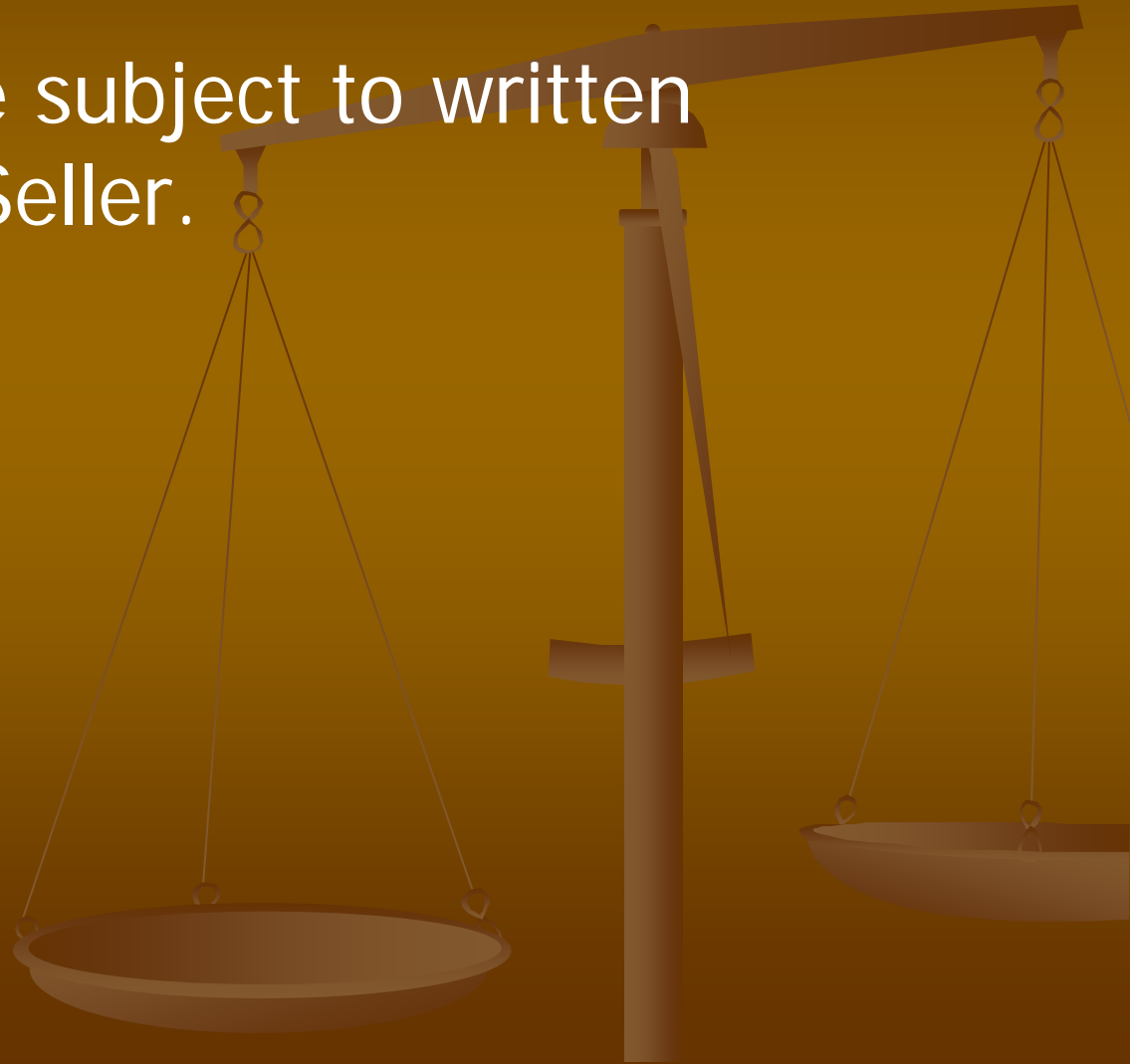
DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

- A Purchase Order shall be deemed an offer by Customer to purchase the Goods, which offer shall include these Terms and Conditions in their entirety.



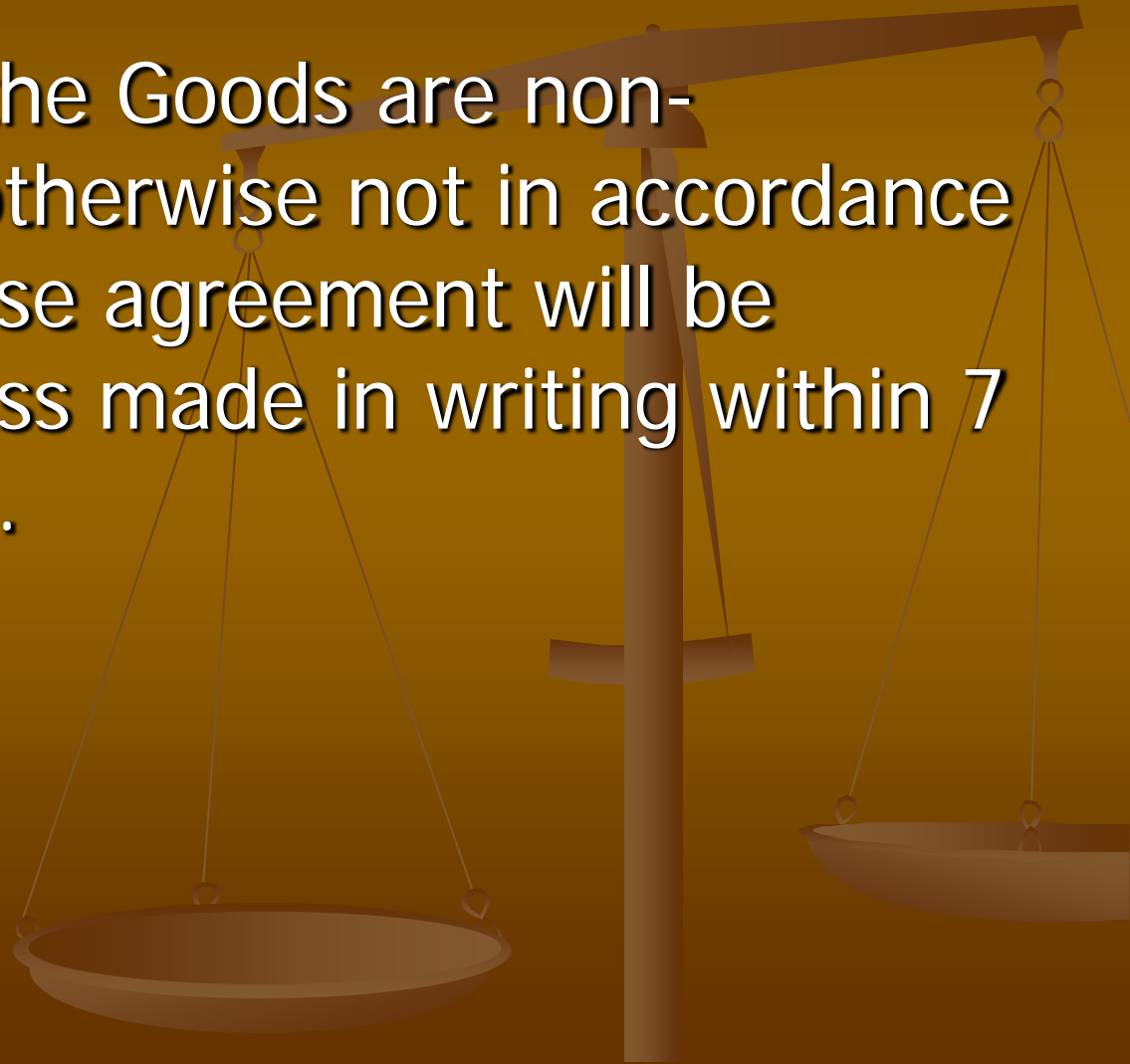
DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

- Returns shall be subject to written acceptance by Seller.

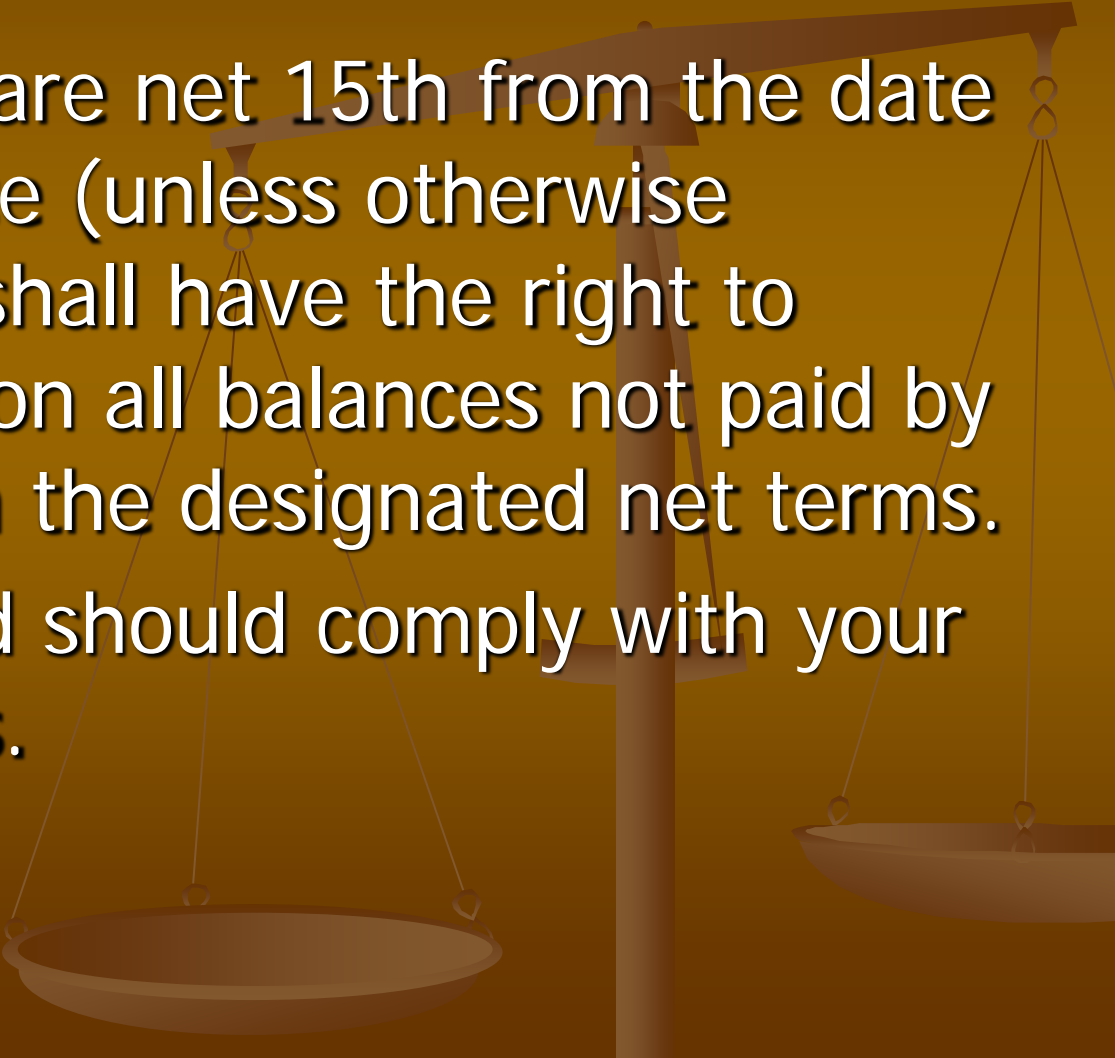


DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

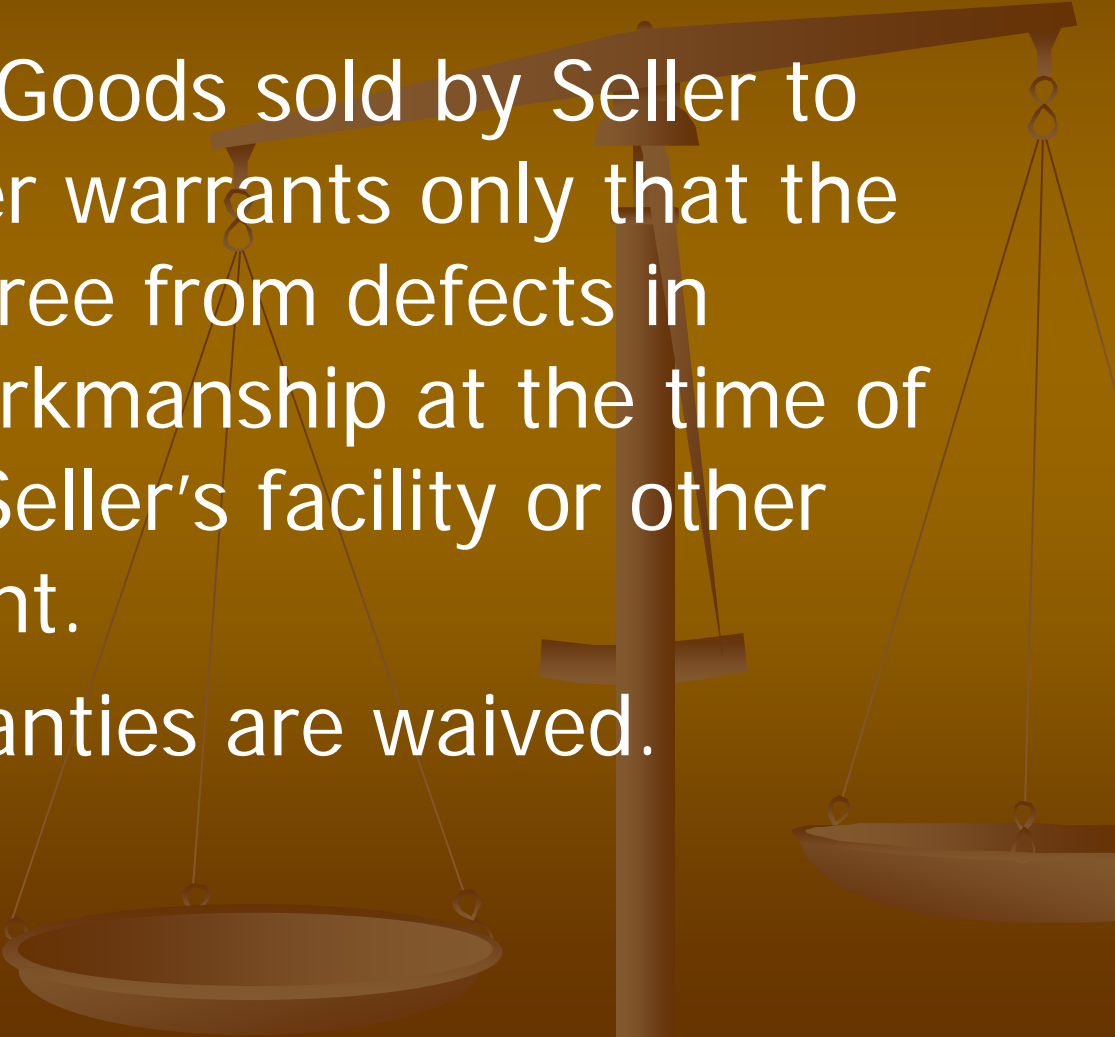
- No claims that the Goods are non-conforming or otherwise not in accordance with the purchase agreement will be recognized unless made in writing within 7 days of delivery.



DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

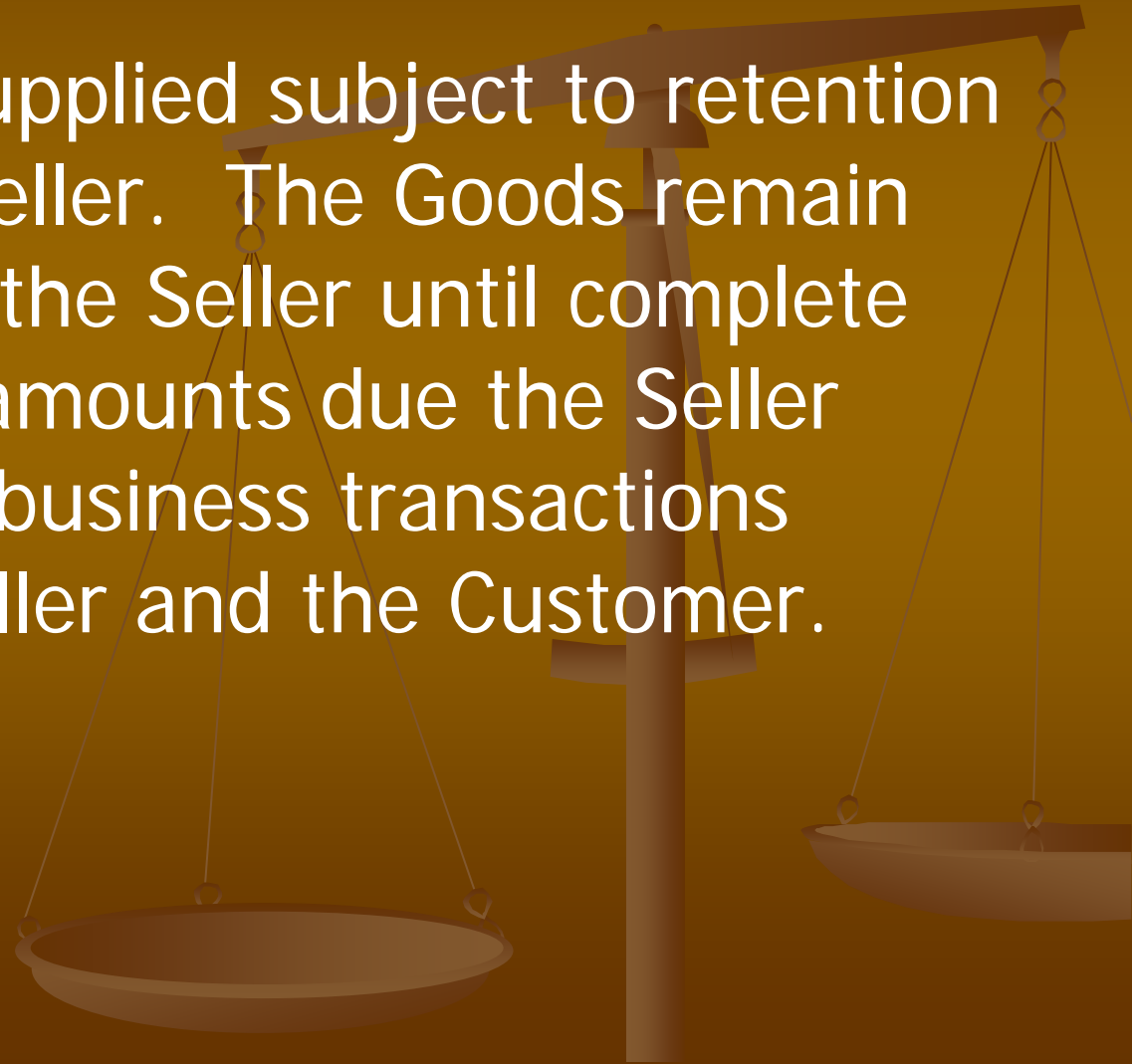
- Payment terms are net 15th from the date of Seller's invoice (unless otherwise stated). Seller shall have the right to charge interest on all balances not paid by Customer within the designated net terms.
 - Interest charged should comply with your state usury laws.
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DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

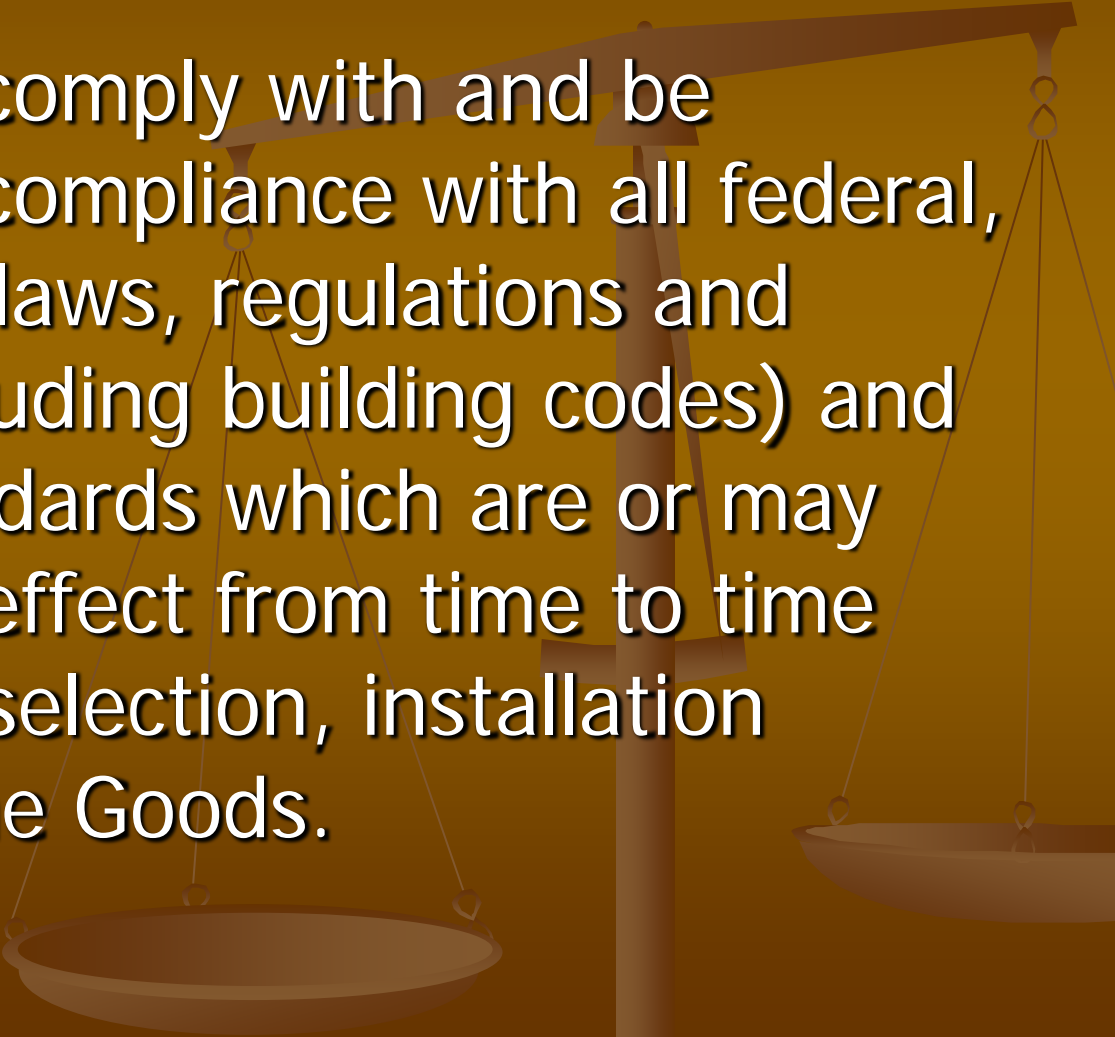
- With respect to Goods sold by Seller to Customer. Seller warrants only that the Goods shall be free from defects in material and workmanship at the time of shipment from Seller's facility or other place of shipment.
 - All implied warranties are waived.
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DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

- All Goods are supplied subject to retention of title by the Seller. The Goods remain the property of the Seller until complete payment of all amounts due the Seller arising from all business transactions between the Seller and the Customer.

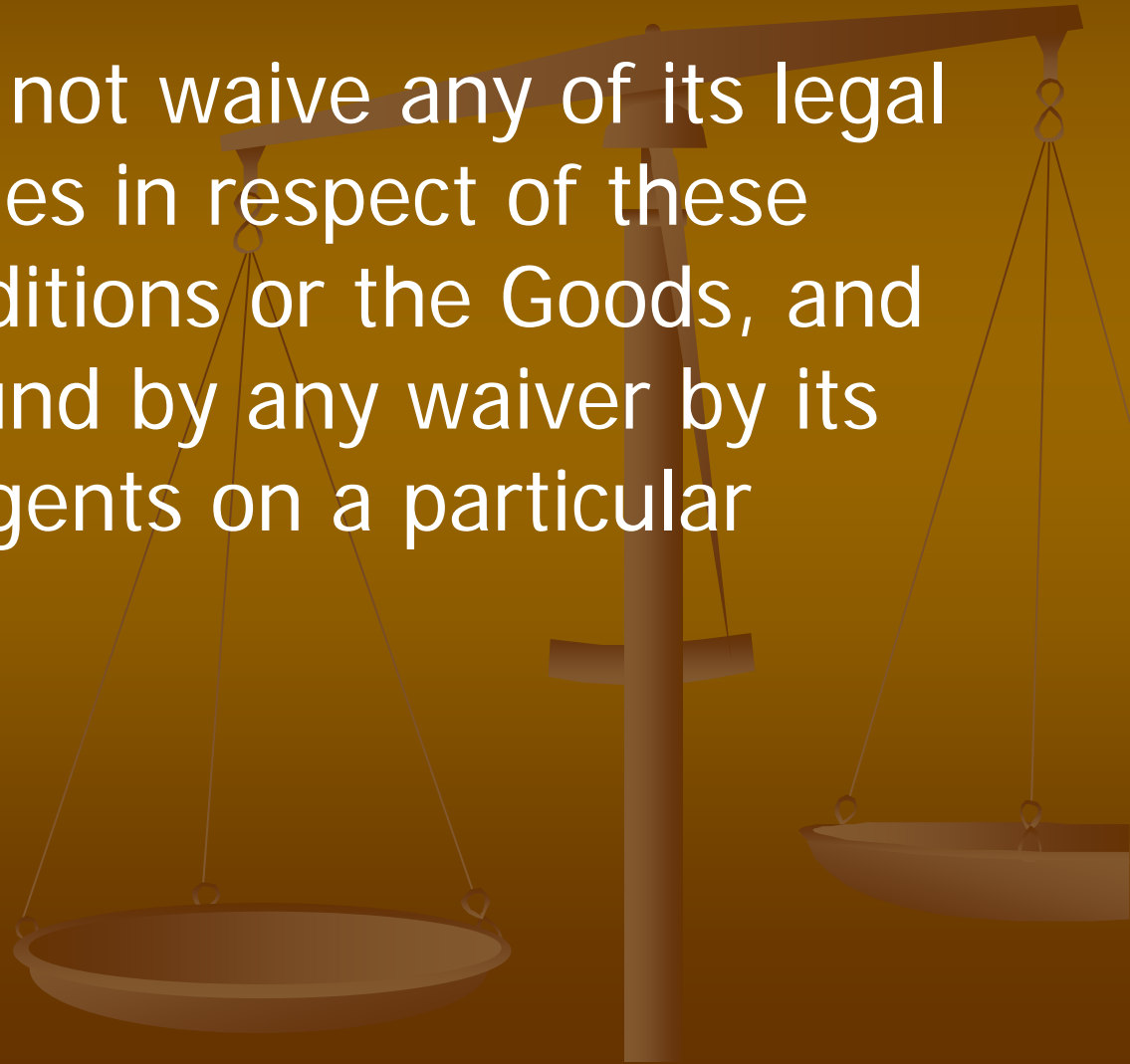


DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

- Customer shall comply with and be responsible for compliance with all federal, state, and local laws, regulations and ordinances (including building codes) and all industry standards which are or may hereafter be in effect from time to time with respect to selection, installation and/or use of the Goods.
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DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

- The Seller does not waive any of its legal rights or remedies in respect of these Terms and Conditions or the Goods, and shall not be bound by any waiver by its employees or agents on a particular occasion.

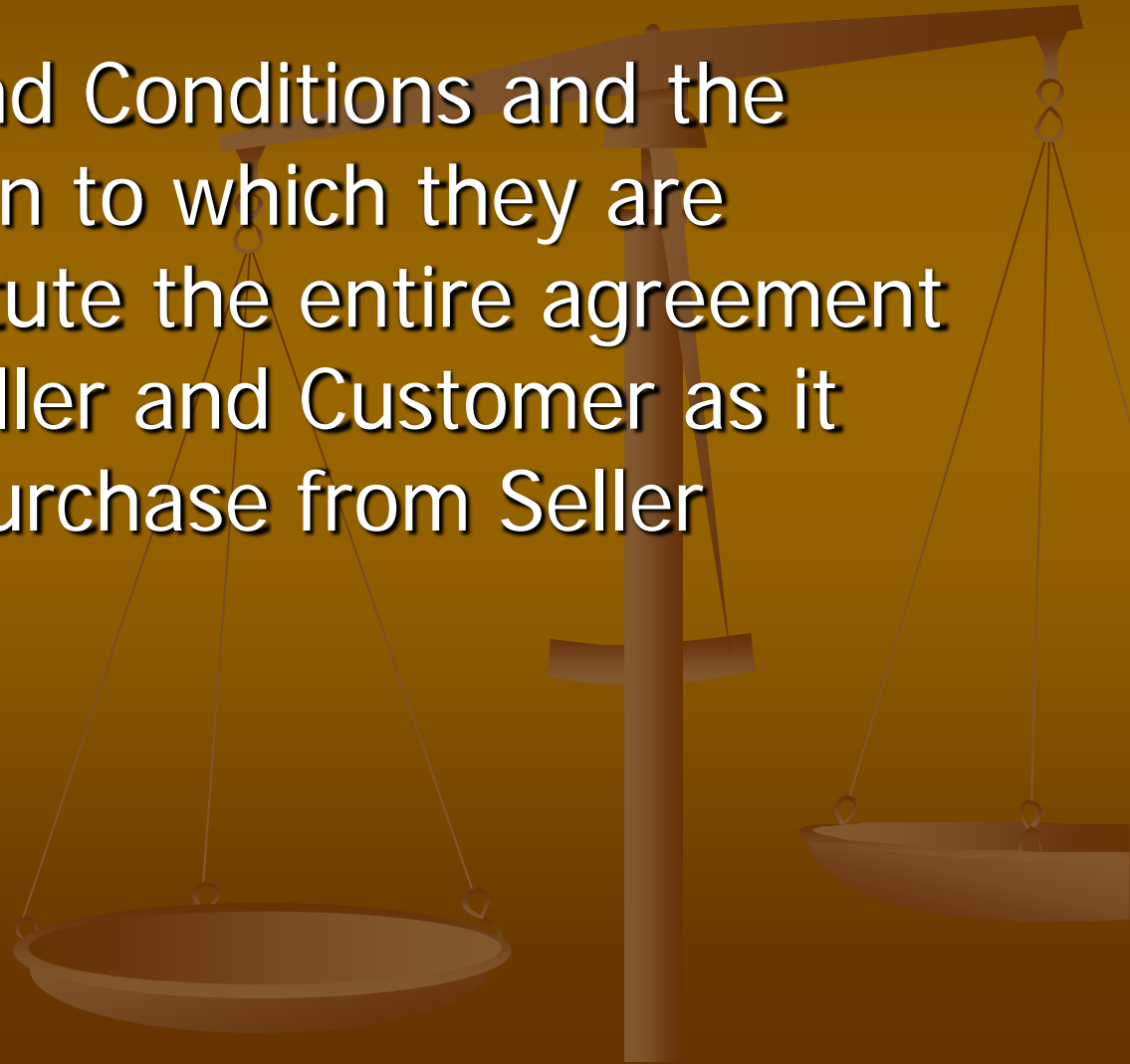


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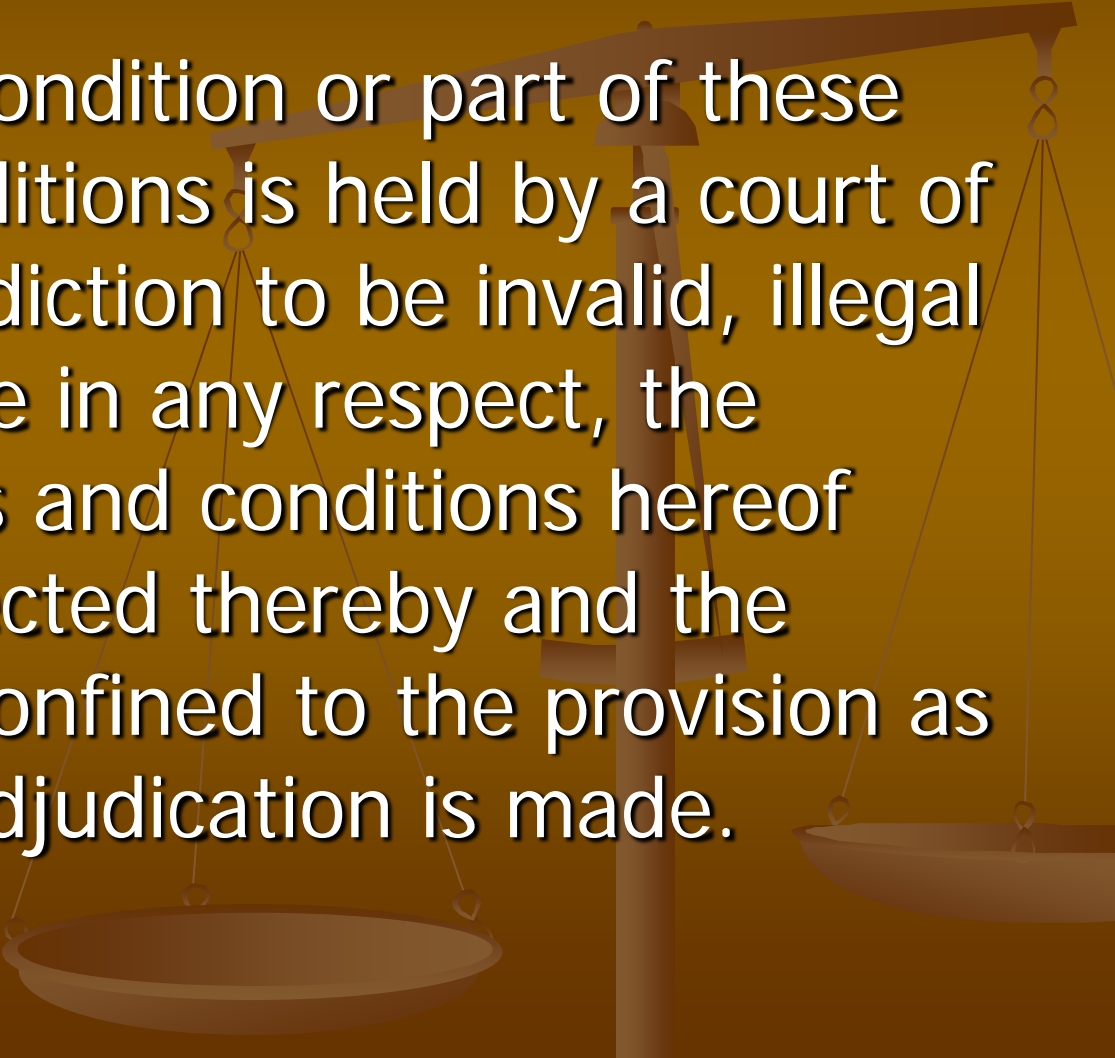
- This agreement shall be deemed to have been made in and governed by the substantive laws of the State of _____, without regard to choice-of-law provisions. Any dispute concerning the Goods or the terms of their purchase and sale may only be litigated in a court of the State of _____ with venue in _____ County, _____.

DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

- These Terms and Conditions and the credit application to which they are attached constitute the entire agreement between the Seller and Customer as it relates to the purchase from Seller

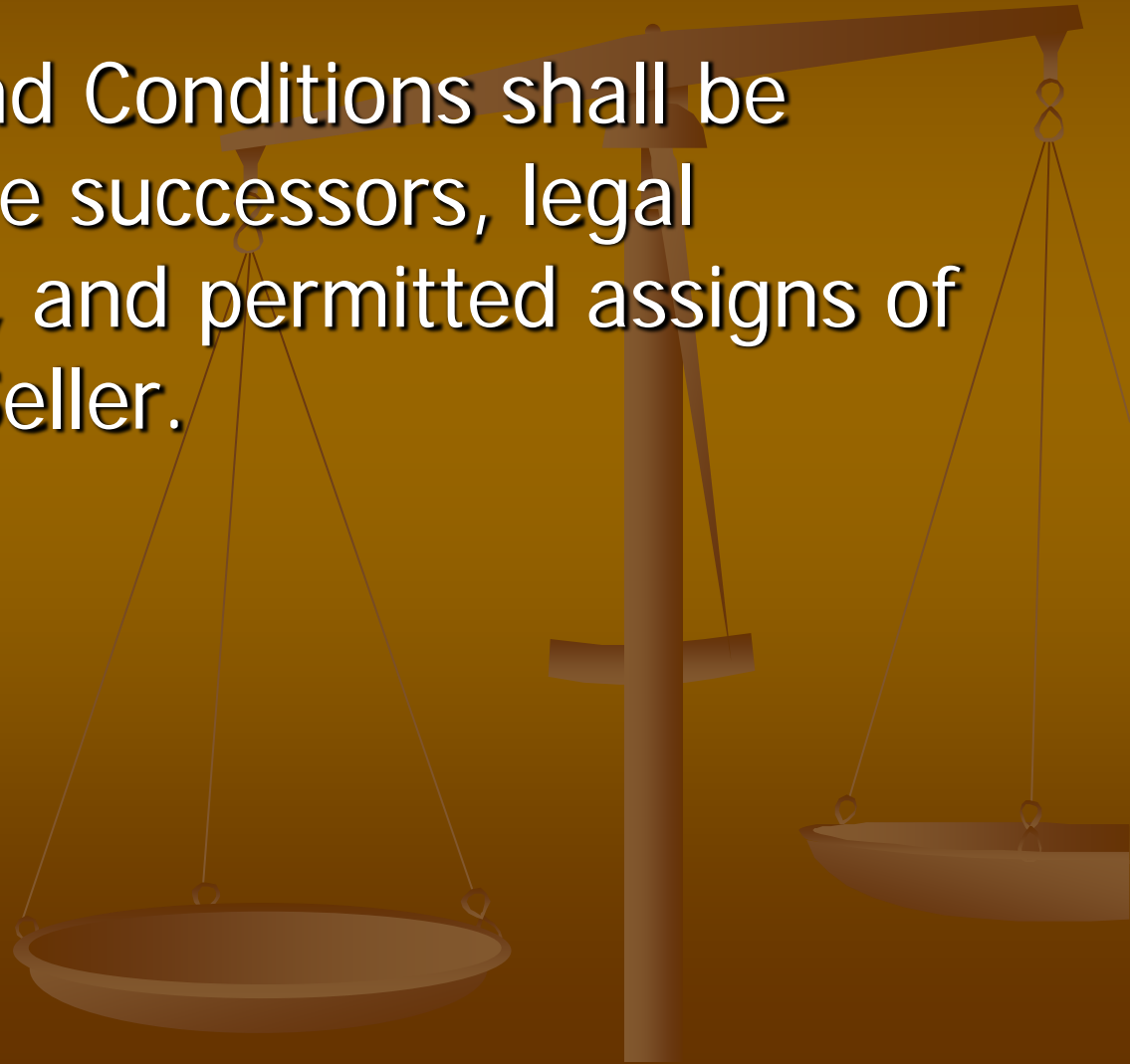


DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

- If any term or condition or part of these Terms and Conditions is held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, the remaining terms and conditions hereof shall not be affected thereby and the effect shall be confined to the provision as to which such adjudication is made.
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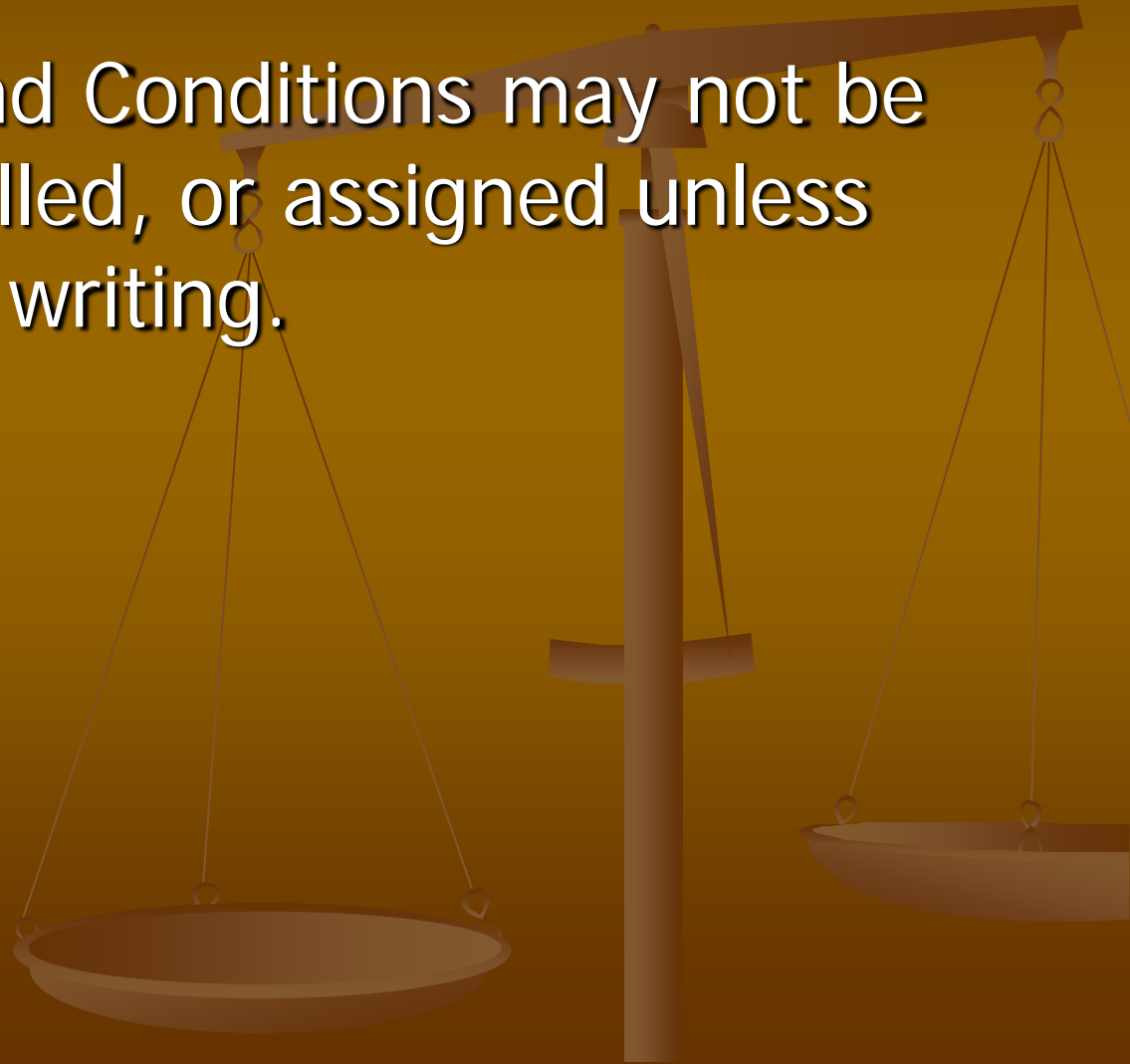
DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

- These Terms and Conditions shall be binding upon the successors, legal representatives, and permitted assigns of Customer and Seller.



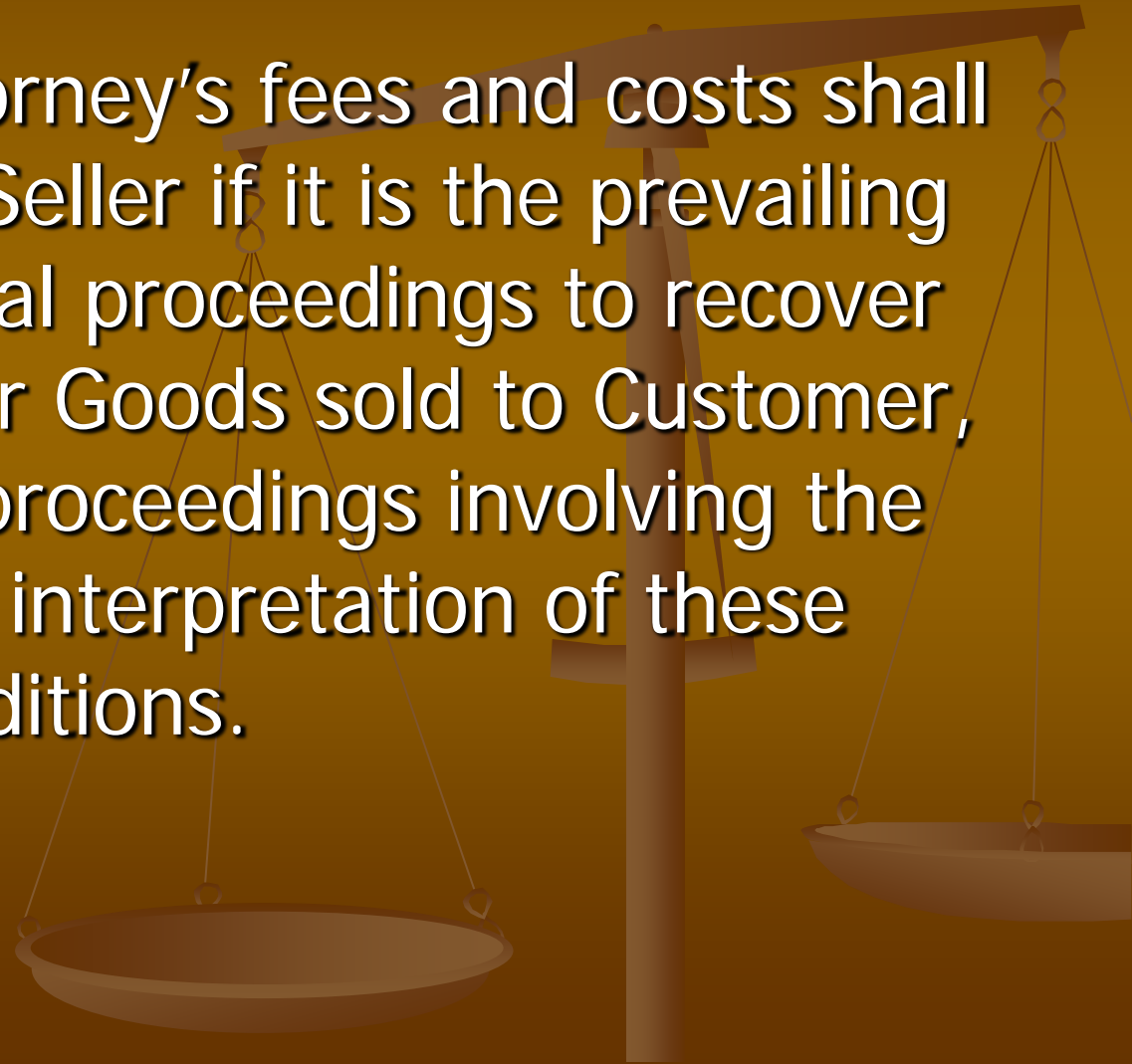
DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

- These Terms and Conditions may not be modified, cancelled, or assigned unless Seller agrees in writing.



DO'S OF CREDIT APPLICATIONS TERMS TO ADDRESS

- Reasonable attorney's fees and costs shall be awarded to Seller if it is the prevailing party in any legal proceedings to recover amounts due for Goods sold to Customer, or in any legal proceedings involving the enforcement or interpretation of these Terms and Conditions.



DO'S AND DON'TS OF CREDIT APPLICATIONS

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