NACM Heartland Member Reception

Attending the 2018 Credit Congress?* Join us for the ever-fun NACM Heartland Member Reception! We'll have food, drink, networking and a great time connecting with members, board members and vendors.

SUNDAY
JUNE 10
Phoenix Convention Center, Room 228B
6–8 pm

RSVP maggie@nacmheartland.com by June 1

**There's still time to register! Visit creditcongress.nacm.org.*

SAVE THE DATE

Annual Meeting

Join NACM Heartland for the 2018 annual meeting with guest speaker, Jim Miller, Emeritus Head Wrestling Coach, Wartburg College:

WEDNESDAY
SEPTEMBER 12
Holiday Inn West Des Moines – Jordan Creek
6075 Mills Civic Parkway
4–5:30 pm

COST: $45 *Includes wine and cheese reception immediately following the speaker.*

Jim "Milboy" Miller is a sought after motivational speaker who has taken his lessons from the wrestling mat to the boardroom. Learn how to:

+ Eliminate excuses.
+ Avoid letting fatigue change your body language.
+ Think big. (When do you ever think small and achieve big?!)
+ Choose to be motivated.

Coach Miller will help you learn how to "do it anyway" and become the leader you want to be. Coach Miller led the Knights to ten Division III National Championships, as well as coaching over 100 All-Americans. He is Emeritus Head Coach at Wartburg College in Waverly, Iowa and now serves as a professor and motivational speaker.

RSVP to maggie@nacmheartland.com

CALENDAR

MAY

5/24	NACM Heartland Construction Meeting Urbandale, IA
5/24	**WEBINAR:** Leadership Webinar Series: Workplace Diversity—Valuing the Individual
5/31	**WEBINAR:** Doing Business in Mexico
JUN	
6/1	**CERTIFICATION:** Applications due for the CBA, CBF and CCE July 23 nationwide exam
6/5	**WEBINAR:** Doing Business in China
6/9–6/13	**CERTIFICATION:** Business Credit Principles
6/9–6/13	**CERTIFICATION:** Financial Statement Analysis 2: Credit & Risk Assessment
6/10	NACM Heartland Credit Congress Reception Phoenix, AZ
6/10–6/13	122nd Annual Credit Congress & Expo
6/10	**CERTIFICATION EXAM**
6/20	NACM Heartland Board Meeting, Johnston, IA
6/21	NACM Heartland Bio-Fuels Meeting, Des Moines, IA
6/28	NACM Heartland Construction Meeting Urbandale, IA
6/28	**WEBINAR:** Leadership Webinar Series: Creating a Culture Based in High-Trust
JUL	
7/23	**CERTIFICATION EXAM**

NEW MEMBERS

Mid State Farmers Coop, Inc.
Americot, Inc.

CONGRATS

Members who recently took exams for a professional designation:

Professional certifications are the results of targeted, credit-specific professional education designed to enhance the on-the-job performance of credit department personnel at all career stages.

CREDIT BUSINESS ASSOCIATE (CBA)
Jamal Brown, Helena Chemical Company
Dalen Uhlenhopp, Landus Cooperative

CREDIT BUSINESS FELLOW (CBF)
Ashley Goodman, Helena Chemical Company

CERTIFIED CREDIT EXECUTIVE (CCE)
Benjamin Johnson, Helena Chemical Company

LEARN MORE:
www.nacmheartland.com/professional-designations.cfm

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IS IT TIME TO ASK FOR THE MONEY?

What America's new tax law means for debt collectors

HAVE YOU NOTICED A LITTLE MORE MONEY IN YOUR PAYCHECK LATELY? PROBABLY NOT. Physical checks are a relic of the past. Most employees are paid through direct deposit, and many don't notice when deposits are made into their checking account. More likely, employees do pay attention to how much money they have in their account at the end of the month, quarter, or year.

This is where the tax reform advocated by congressional Republicans and the Trump administration comes into play. The $1.5 trillion Tax Cuts and Jobs Act, which was signed into law last December, means that the average American will see a total tax cut of $1,610 in 2018, according to the Tax Policy Center (TPC).

+ IT'S A GOOD TIME TO ASK FOR THE MONEY

From a debt collector's perspective, it would be intuitive to think that Americans' newfound boost in after-tax income means it's a perfect time to "ask for the money." But is this true? As is the case with virtually all hot-button issues like tax reform, it depends on who you ask. Media pundits' views on the new tax law range from touting it as an unprecedented economic boon for businesses and individuals alike, to slamming it as special-interest policymaking that solely benefits the rich. For debt collectors and the debtors they're looking to settle with, the reality is somewhere in between.

+ CORPORATE TAX RATE IS REDUCED BY 40%

Now that many businesses are preparing to file their first

>> CONTINUED ON PAGE 2

quarter estimated taxes (due April 17) for 2018, they may start to realize that they have more money thanks to the new tax law, which cut the corporate income tax rate permanently from to 35 percent to 21 percent. Illustrating the magnitude of this change, billionaire investor Warren Buffett has said that the tax reform will save his company $29 billion. Therefore, when it comes to business-to-business debt, collectors should ask for the money today and plant the seed in the debtor's mind that, indeed, now is the time to break free of that lingering debt.

HOW DOES THE TAX REDUCTION EFFECT INDIVIDUALS?

For individual debtors, the picture is more complicated. Unlike the permanent tax cut for businesses, the Trump law's cuts for individuals expire in 2026. But for collectors, the message is the same: ask for the money today because the tables could be turned in a decade, with taxpayers potentially facing a tax rate that is either the same as it was in 2017 (before the Trump law's passage) or higher than it was in 2017. This could be a shock and strain for individual debtors, decreasing their willingness to settle with collectors.

At the same time, there are several factors that could minimize individuals' willingness to pay their debts, even under the current law. Take the example of an individual who earns $50,000 per year. According to CNN's tax calculator, the tax reform saves that individual $1,350 annually, or about $52 per paycheck twice a month. Even if an employee does notice that level of increase in a direct deposit payment, will $52 provide enough incentive to settle a debt that may reach the thousands?

Let's stay with the example of this "middle class" $50,000 earner. The TPC says that 65.8 percent of the new law's total federal tax benefit is going to the nation's top 20 percent of earners, meaning that the legislation's impact on middle class and low-income debtors—and the collection agencies pursuing them—could be limited.

The tax implications of the debt-settlement process also play a role here. Collectors that agree to accept at least $600 less than the original balance they are owed are legally required to file 1099-C forms, and the portion of the debt that is forgiven by the collectors is considered taxable income for debtors. This, too, could minimize debtors' willingness to reach agreements with collectors.

ASK FOR THE MONEY TODAY

Nevertheless, despite these mitigating factors, the new tax law's message for consumer debt is ultimately the same as it is for business-to-business debt: ask for the money today. Yes, the average taxpayer—let's again use the $50,000 earner—might not notice the extra $52 per paycheck or $104 per month in income. But what if they do notice? Why not ask for half of the debt now, before consumers assimilate the extra income into their monthly expenditures? There's no downside to asking. And from a debtor's perspective, having a portion of your debt forgiven is found money—even if it's taxable income.

Here's the bottom line for collectors: Whether you're dealing with business debt or consumer debt, ask for the money today, or else you risk a future deterioration in the potentially fertile market created by the new tax law.

WE CAN HELP

If you need assistance with first party collections, third collections, or effectively managing your account receivables, give us a call.

BARR Credit is the collections partner for NACM Heartland. To learn more visit www.barrcredit.com or contact Maggie at Maggie@nacmheartland.com. This article was originally published on their website.

ASK THE BOARD: What changes have you seen since the tax law was passed late last year?

TY KNOX | EFCO CORP

The most significant impact we have seen is tied to the one-time repatriation tax on accumulated earnings held overseas as my company has operations in sixteen foreign countries.

MARK BLUML | LANDUS COOPERATIVE

I have not seen any discernable impact on our business to date.

CARROL ANDERSON | CE INVESTMENT

My business consists of leasing commercial buildings. I deal with several smaller business owners but in the mix I have a few national tenants that, previously to the passage of the tax bill, put expansion expenditures on hold. Recently I was approached by two of the tenants wanting to renegotiate their leases and add more space. The optimism is slowly changing. Dropping the tax rate from 35% to 21% does change attitudes and delivers higher economic growth, job creation and wages that our country desperately needs. The down side is the U.S. loses trillions of dollars in revenue and the deficit balloons. This tax bill was an easy way to bring overseas profits back to the U.S. without being taxed. I think this was a right decision.

CREDIT MANAGER'S TOOLBOX:

Consumer Credit Reports: The Key to Personal Guarantees

WOULD YOU EXTEND $20K WORTH OF MATERIALS TO A CONTRACTOR, SMALL PRIVATE COMPANY OR A START-UP WITHOUT A PERSONAL GUARANTEE?

Most would answer NO! So, what good does it do to require a personal guarantee without investigating the credit capacity, character, and general reputation of the individual? Even if you take a personal guarantee you need a tool to help determine credit worthiness. By analyzing the principle/personal guarantor(s) consumer credit report you will be able to make a more educated credit decision. This could save you thousands of dollars and help eliminate potential bad debt.

Q: What is a personal guarantee?

A personal guarantee is a pledge, by someone other than the named borrower, that he or she promises to pay any deficiencies on a specific loan.

Q: When is a personal guarantee used?

A personal guarantee is often used when a company cannot demonstrate enough business assets or history to support the limit desired. The Fair Credit Reporting Act gives companies the authority (permissible purpose) to pull consumer credit reports, if the consumer provides written authorization.

Q: Why should my company use consumer credit reports with a personal guarantee?

Consumer credit reports will indicate your potential client's credit standing, credit capacity, character, general reputation, and mode of living. All of which are a must when holding an individual accountable to a personal guarantee. The main reason is to be able to collect the monies owed (even if the company is protected under the bankruptcy laws.)

Q: How can I use consumer credit reports with a personal guarantee?

Consumer Credit Reports can be used in conjunction with a personal guarantee, to judge the strength of the guarantee, should you have to enforce it. By looking at the consumer's personal finances, you can get an idea of their credit worthiness, and an indication of how they will run their business. And don't forget, you must have written authorization to pull the consumer's credit.

**This material is for informational/educational purposes only and is not intended to replace legal counsel.*

LEARN MORE

For information about how to order consumer credit reports, contact Sales@OneCreditSource.com or call 800-905-9678.

Iowa Repeals Anti-Collateral Mechanic's Lien Statute

On April 10, Iowa Governor Kim Reynolds signed SF2229 into law, repealing the so-called "anti-collateral" statute that disallowed mechanic's liens in instances where material suppliers and others utilized personal guaranties and other forms of collateral. This repeal is most impactful to material suppliers, from cabinet and flooring suppliers to lumberyards and larger building material suppliers, in the residential and commercial construction industry. The anti-collateral provision was written into Iowa Code over 175 years ago, in 1851. The effect of the law was that claimants were not entitled to a mechanic's lien if the claimant's construction contract, or credit application, with the owner or general contractor, contained a provision providing for some type of collateral or was otherwise secured by collateral (such as a promissory note, personal guaranty, or other asset).

Because this was a relatively obscure part of the law, material suppliers and others in the construction industry were unknowingly losing their mechanic's lien rights due to this anti-collateral provision. With the repeal of this anti-collateral provision, Iowa law now matches that of all surrounding states and the vast majority of states nationwide. The change goes into effect on July 1, 2018.