

What's Up

In the World of Collections

A publication of Commercial Collection Corp. of NY

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What is a Standby Letter of Credit?

Similar in many ways to a Commercial Letter of Credit, a Standby Letter of Credit represents a guarantee by the issuing bank to pay a specific sum of money to a named beneficiary. This payment is contingent upon specific terms and conditions of the credit specified in advance.

The difference between the two instruments is that while a Commercial Letter of Credit is issued as a primary source of payment, the Standby Letter of Credit is typically issued as a backup source of payment or guarantee. The Standby Letter of Credit is usually intended to be drawn on only in the event of a default under the original payment agreement.

Uses of Standby Letters of Credit

Standby Letters of Credit are used in both domestic and international transactions. Common uses of the Standby Letter of Credit include:

- ◆ Securing open account payment terms
- ◆ In lieu of bid, performance and warranty bonds under contracts
- ◆ Advance payment guarantee
- ◆ To secure payment of a loan or other financial obligation

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My career in collections started over 20 years ago after graduating from the University at Buffalo with a degree in English. I was fortunate in that I gained much of my credit and collection experience while employed at The Buffalo News and also Rich Products. I started working with CCC part-time which evolved into full-time work within a year. I was then promoted to Legal Manager which allowed me to develop greater customer service skills with clients and debtors alike. From our Legal Department, I went back into Collections as a Senior Collection Supervisor. I am now VP of Collections and find the collection industry to be a very challenging one. Without the support of a great staff and upper management, this would be a daunting job. I can attest to the fact that the people we have on board are a talented, cooperative staff and I am proud to be a member of CCC of NY.



Sue Landel
VP of Collections

Leading

“Managers help people to see themselves as they are. Leaders help people to see themselves better than they are.”

- Jim Rohn, motivation expert

Fear

“The man who has ceased to fear has ceased to care.”

-Francis H. Bradley,
British philosopher



In Business Since
1962

continued from front

Standby Letters of Credit are most often used for transactions in high-risk countries, for repeat sales, or in cases where the applicant is a good, fair or unknown credit risk.

Obtaining Payment Under a Standby Letter of Credit

To obtain payment under a Standby Letter of Credit, the beneficiary must present proof that the applicant has failed to make payment or perform a required action. This proof usually includes a sight draft and a statement from the beneficiary.

Wording of a Standby Letter of Credit is crucial to achieving its desired goal. The beneficiary of the Standby Letter of Credit will usually prefer less restrictive language, enabling an easy draw of payment. The applicant may want to require more specific language, listing in detail the conditions under which a draw will be permitted.

If you choose to use this, please contact your attorney or local bank manager.



Believe It Or Not

Collector: May I speak to Adam Hooker, please?

Receptionist: Your name and company please.

Collector: Marcus Swift with CCC of NY.

Receptionist: You must have the wrong number ...I've never heard of him, but if I see him I'll tell him you called. CLICK!

Did you know...

International Commercial Recovery necessarily involves an understanding of the legal system of the creditor, that of the debtor, and International Treaties that relate to commercial claims, such as The Hague Conventions and The United Nations Convention on the Recognition of International Arbitration Awards. The creditor should appreciate that the law of the location of the debtor might be substantially different than that which he is used to.

The creditor, when drafting a credit application to be signed by a foreign debtor, should verify with a law firm in the locale of the debtor whether the clauses are indeed enforceable. To rely on a purely American experience might raise false expectations when the claim has to be enforced.

David Franklin, B.A, B.C.L.
Franklin & Franklin

Brain Teaser

This being Halloween, we will consider the problem of witches and their cats. The whole crowd is out tonight, naturally, and an interested observer, seeing them fly by (yes witches' cats fly), noticed that the number of legs, all told, was three and a half times the number of heads, and the total of heads and legs was seventy-two. How many cats and witches are out this Halloween?

Winners of August Contest:

Ms. Kim Church, Ace Asphalt

Mr. Chris Doving, Presidio

Mr. John Werner, Sandmeyer Steel

Ms. Marlene Proulx, Schott North America

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Answer to last Brain Teaser:
Charlie is Tom's Grandson

5 Fax-O-Grams will be pulled at random & sent a FREE gift. If you don't have the form, call us and we will fax one to you immediately!

**Please return answer on enclosed fax-o-gram by
October 31, 2006.**

For more information or to place a claim, please contact us at:

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