

# THE CREDIT TIMES



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## What Does a 2nd Round of PPP Stimulus Money Mean to Credit Grantors?

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2020 was a year like no one has seen before. While many of us went through the financial collapse of 2008, which was directly caused by the banking industry, the financial struggles of 2020 were the result of an outside influence, the pandemic. Stay at home orders and business closures that were intended to slow/stop the spread of the Coronavirus (COVID-19), among other restrictions over the past year have caused financial strife for many. Unlike the financial collapse in 2008, where the banking industry was provided economic relief from the government, in 2020 the government rolled out the Paycheck Protection Program (PPP) directly to businesses. These SBA loans were intended to help businesses keep their workforce employed during the Coronavirus (COVID-19) crisis. What was unique about these loans was that if the money was used for approved business expenses, such as funding payroll, the borrower would be eligible to obtain loan forgiveness and not have to pay back the money they borrowed.

The government has rolled out a second round of PPP loans, and with the new Presidential administration recently sworn into power, there are talks of having more rounds of stimulus and PPP in the future. What does this mean for credit grantors, and what did we see during the first round of PPP loans? Commercial Collection Corp. of NY (CCCNy) found that in many instances, debtor companies that received PPP loans were more apt, and in a position, to resolve delinquent receivables. This was due to the debtor businesses ability to free up cash flow that would normally have been designated to fund payroll and/or other crucial operating expenses. However, the influx of cash from the PPP loan provided a limited window of opportunity to collect from these companies. CCCNY's experience, through our collection efforts, identified that the receivables resolved during the collectable window, were paid to those that applied the most pressure. Creditors that the debtor business considered essential for ongoing operations were being paid timely; however, many creditors with delinquent receivables fell at the bottom of the pile until they escalated the matter to a third party such as CCCNY.

Time is always of the essence when dealing with delinquent receivables, but the economic climate of today's business world makes it even more so now. There is a fine line between being patient, compassionate and working with your customers during this pandemic, compared to knowing when you need to escalate collection efforts on a receivable in order to minimize bad debt risk and maximize cash flow.

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\* Believe it or not

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**Congratulations to Stacy Notartomaso from David Peysers Sportswear on winning an Echo Show 5 in our drawing.**

***Make sure to enter this month's drawing by using your Special Placement form. For every claim you place you will be entered for a chance to win an Echo Show 5.***



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The balance between keeping your business as healthy as possible during these trying times and maintaining customer relationships gets trickier day by day. Understanding that the window for collecting from customers receiving PPP loans has a finite amount of time, is essential to your ability to obtain possible payment.

Knowing your customer and having an open dialogue with them, especially if they are delinquent, is beneficial as to forecasting what actions may be needed to get paid. Below are a few key items you can utilize that will help navigate the muddy waters of customers that owe you delinquent receivables:

- Open lines of communication. Work with those customers that are responsive and appear to be open and honest about their current situations.
- Identify if the customer is applying for a PPP loan.
- Recognize and react to signs of payment stalls, change in payment trends, and other red flags.
- Get a commitment for payment of your delinquent invoice if your customer is applying or has applied for a PPP loan.
- Keep in close contact with those customers applying for a loan, as once the money is used, your chances of receiving payment decrease tremendously.
- If a customer stalls payment after receiving funds, escalate the matter as quickly as possible to increase the possibility of a successful collection.

Resolving receivables while working with your customers is no small feat. CCCNY is here to help. We are pleased to offer our executive team as a resource for answering your questions, as well as providing our input regarding specific circumstances. If we can be of any assistance, please do not hesitate to contact us.

*Believe It or Not*

The vaccine is finally here!



For more information on any of CCC's services...

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