

Credit Policies

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A credit policy can be used both as a training tool and as a reference guide. A well-written credit policy will include or address most if not all of the following subjects in great detail:

1. The organization chart for the credit department;
2. Job description, titles, and the performance review process;
3. Guidelines for reporting performance to senior management;
4. Credit documentation required for the credit file;
5. Methods of gathering credit information;
6. Time limits for credit decisions;
7. Procedures for establishing new lines;
8. The procedure for communicating the decision to the customer;
9. Procedure for communicating the decision to management;
10. The procedure for communicating the decision to the sales department;
11. Procedure for communicating the decision to operations;
12. Guidelines for dealing with high risk customers;
13. Collection key performance indicators (KPIs);
14. A collection policy that deals with slow-paying accounts;
15. A policy to minimize bad debts write offs;
16. A policy for unearned discounts/unauthorized deductions;
17. A policy for handling disputes;
18. A policy for approval for write off of customer deductions;
19. Standard payment terms and authority / approvals required to override these payment terms;
20. Policies addressing when credit limits will be requested from customers.

Michael Dennis is one of our key instructors teaching various programs in our training collaborative. Michael is the author of "Credit and Collection Handbook" and "Credit and Collection Forms and Procedures Manual."