GANESAR COLLEGE OF ARTS AND SCIENCE

MELAISIVAPURI

CREDIT MANAGEMENT

Unit - V

Consumer Assessment Credit Bureau

A credit bureau is a data collection agency that gathers account information from various creditors and provides that information to a consumer reporting agency in the united States, a credit reference agency in the united Kingdom. a credit reporting body in Australia, a credit information company (CIC) in India, Special Asscessing Entity in the Philippines, and also to private lenders.

what is a credit Bureau?

A credit bureau is an agency that collects and researches individual credit information and sells it for a fee to creditors so they can make a decision on granting loans.

Credit Bureaus work

Credit bureaus partner with all types of lending institutions and credit issuers to help them make loan decisions. The three main credit bureaus in the united states are Equifax, Experian, and Transunion, through three are many smaller companies that provide similar services

The primary purpose of credit bureaus is to ensure that creditors have the information they need to make lending decision. Typical clients for a credit bureau include banks, mortgage lenders, credit card issuers and other personal financial lending companies

Credit Bureau Regulation

In the united states, credit bureaus are also called consumer reporting agencies CCRA) while credit bureaus don't actually make lending decisions, they are very powerful institutions in finance and the information contained in their individual reports can have a substantial impact on an individual's reports can have a substantial impact on an individual's financial future. The Fair Credit Reporting Act passed in 1790, regulates credit

credit bureaus and their use and interpretation of consumer data their use and interpretation of consumer data and is primarily designed to protect consumers from deliberate or negligent information in their credit score report.

Role of a credit bureau?

Credit bureau are independent agencies that, for a fee, provide information about a company's credit history. They don't make any actual londing decisions; that left up to you. Instead decisions. they collect information from banks, retailers, and look at public records such as tax liens, bankruptcies, and monetary judgments. Taken together, that information can be vital in preventing late payments - and the profit shortfall that they can cause - before they start.

- For a small fee, you can become a member of a credit bureau. Equifax, Experian and Transunion handle consumer reports, and is the largest credit - reporting agency for businesses. As a member of these bureaus, you can access credit reports and report delinquent customer.

Functions of credit bureau

• To Maintain a database of borrowers from lending institution:

Data collected include contact address details of individuals and companies. It also includes a history of loans that has been received, if they were paid on time, how many days late they were paid, or if there were any bounced cheques submitted. It also includes information like bankruptcy and court judgments.

• To provide a central storage for all the information collected:

When credit information is provided by a Bureau, it comes in the form of a report, so it is called a credit Information Report. This is the major product that the Bureau sells to its members, and it usually contains information panning a period of 3 years.

• To eliminate/reduce information discrepan-cy in the lending industry:

When countries establish credit bureaus, their main aim is to reduce and possibly eliminate the gaps in information shared between lenders and borrowers.

• To allow increased access to credit: using Nigeria as a case study,

a lot of factors affected lending before credit bureaus were established, for example, only borrowers with large collaterals, or those who known senior with senior officers in the lending institutions were usually granted loans.

Credit Application:

What is a credit application?

A credit application is a request for an extension of credit. Credit applications can be done either orally or in written form usually through an electronic system. Whether done in person or individually the application must legally contain all pertinent information relating to the cost of the credit for the borrower, including the annual percentage yield (APY) and all associated fees.

Credit Reference

What is a credit Reference?

credit reference can be a credit report or documented letter from a previous lender, personal acquaintance or business. Lenders use both credit reference letters in their lending decisions for both individuals and business.

Benefits of credit reference

• CRB reduces borrowing costs and loan delinquencies to a significant extension

• CRB can enhance effective risk identification/ monitoring and credit extension

• CRB can ensure that credit flows to deserving borrowers and reduce to those less deserving ones.

• CRB can assist in maintaining financial stability in an economy.

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With the potential benefits to be derived from having credit reference bureau, it is important and welcome development of companies that provides Factual credible information to businesses to assist them in making accurate and responsible decisions when companies or individuals apply for cash or goods and services on credit.

CREDIT EVALUATION BORROWERS

Credit evaluation refers to the process borrowers are subjected to for them to be eligible for function, or to pay for product within a specified period. It was well refers to the step's lenders undertaken while examining the request for credit.

COLLECTION PROCEDURE

Detailed statement of steps to be taken regarding when and how the past-due amounts are to be collected. collection procedure is laid down usually in the credit policy.

Credit collection refers to the general debt recovery process of reimbursing unpaid and past-due credit loans from the consumer in debt, on behalf of the lender such process is normally performed by specialised.

Collection procedure functions.

Bank and other lenders as well as independent collection agencies perform credit collection functions. A various of collection functions can be used in recouping outstanding debts from consumers who have fallen behind in their payments. Each company follows its own business model, collecting debts using a variety of strategies.

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Organization

An organization designates the credit collection function to be either centralized or decentralized. The key to this function, whether branches or a central office perform the function, is standardization inside the function company, the credit collection management team adopts specific procedures to collect payments from borrowers pursuant to their individual situation.

ii) control:

collection functions must include built-in controls. An organization adds controls. such as quality control monitoring of debt collection phone calls and correspondance and supervisor approval of payment plans and settlements, to ensure consumers are treated appropriately. under the Fair Debt collection practices.

(iii) Handing over Accounts

Lenders and companies, even small businesses, initially may try to collect debts from consumers directly, After a certain amount of time with an unpaid balance, such as 90 days, 120 days or 180 days, a business may decide to transfer an outstanding account to a credit collection agency.

DEBIT RECOVERY TRIBUNAL

What are Debit Recovery Tribunal?

Debit recovery Tribunal were established to Facilitate the debt recovery involving banks and other financial institution with their coustomer. DRT were set up after the passing of Recovery of debts due to Bank and Financial Institutions Act 1993. section 3 of the RDDBFI Act empowers the central government to establish DRT.