

Practical Business Advice for the Difficult Economic Time

As we read the headlines in the newspaper and watch the nightly news we are aware of the difficult economic times currently being experienced by many businesses and individuals. The ripple effect from the decline of the American auto industry and the banking and financial crisis has adversely impacted many businesses. It is important to establish a strategy to proceed if you are being affected and you want to actively be part of the solution. No creditor wants to look in the newspaper or receive in his mail the notice of a bankruptcy of a customer. Each of your creditors is well aware of the outcome of the bankruptcy of one of his accounts. If a contact is initiated by the debtor the debtor will be more favorably viewed and the likelihood of aggressive action by a creditor is significantly reduced.

Make a Realistic Analysis of Your Financial Condition

In the process of addressing your personal or business financial situation you need to be realistic. You need to seriously and honestly address your overall financial condition. Whether you have a regular accountant or rely upon your own internally prepared financial statements, it is important to prepare a current financial statement and make sure your financial statements are accurate and complete. You need to include current and actual fair market values for your assets. If you need to contact a real estate agent, an auctioneer or an appraiser to obtain accurate information your extra efforts are appropriate. The integrity of the discussions with your creditors will be based on the realistic assessment of your financial condition.

Review Your Documents

If your situation is problematic because of a specific creditor, like a credit card company or a bank, it is important to obtain the final documents that were signed. (You may be surprised. Sometimes the documents do not exist or do not say what you thought.) You should review these documents and determine if there are specific terms that may be beneficial. For example, you need to know if all documents were actually signed or if there is a personal guaranty or if there are notice requirements that need to be followed. You may need the services of an attorney to fully review these documents and determine your legal rights.

Advise Your Banker

If you are unable to make your next payment or if you anticipate that one of your payments in the near future is going to likely not be timely paid you should contact your banker and meet with him in advance and inform him of the situation. It is important that you control the process and discuss alternatives with your banker. You should be able to share the current financial information that you have prepared. It is possible that your banker on a mortgage loan will accept a "deed in lieu of foreclosure" and not pursue you for any shortfall in value. This course of action requires the debtor to transfer the property to the bank and enter into an agreement. It is important to obtain a properly drafted agreement to void any potential liability to the bank or any income taxes for the balance of the debt that is being forgiven.

Advise Your Creditors

Like your banker, surprises of poor credit are not well received. If you believe you are not going to be timely in your payments then you need to contact the creditor in advance. Inform the creditor of the situation and offer to work with the creditor in a best efforts arrangement. You

should not be ashamed or bashful. You should ask to have the balance reduced or ask to have the interest or late charges. A creditor would much prefer to work with you without the need for a collection firm or a law firm. You will be respected for your proactive approach.

Select a Strategy to Proceed

First, consider what outcome would be acceptable to you. Then, consider what is realistic with a creditor. Your strategy needs would include a realistic review of the equity you have and the income you can reasonably expect in the future. Then, honestly determine what can be afforded and what is likely going to occur if you filed for bankruptcy. You should select the situation best that fits for you and proceed with confidence that you are doing the right thing and will likely benefit from your actions.

This article was written by Marc D. Fine, a partner with Rudolph, Fine, Porter & Johnson, LLP in Evansville, Indiana. For additional information, you may contact Marc D. Fine at (812) 422-9444 (e-mail:mdf@rfpj.com). His practice areas include probate and estate planning; tax law; trust administration; corporate and business law; banking and real estate.

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