

*COVID, Chapter 11, Critical Vendor and
Suspension Orders: The New World of Credit
Risk with the Insolvent Customer*

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Abstract

COVID, through state shutdown orders and social distancing, has caused severe financial strain on companies. Scores of companies deemed non-essential have closed, and only now are starting to reopen. As the government rolls out trillions of dollars to bail out companies, credit teams dealing with maturing and past due invoices are scrambling to determine whether their customers may resume operations and pay the invoices.

COVID-Impacted Customers' Essential Need to Preserve Cash and Extend Trade Credit

In the face of this unprecedented economic downturn, customers are taking aggressive steps to preserve liquidity, improve their balance sheets and improve their cash position, which is pushing on the supply chain by unilaterally extending suppliers' normal set terms to extended terms both for open invoices and pending POs. Customers are finding that lenders are pulling back on financing, and as a consequence are leaning on the supply chain to ease their liquidity crisis.

Credit teams are wrestling with customers both pushing out due dates of pending invoices and POs to extending terms. The customers' post-COVID supply chain strategy is to...

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