



## EXECUTIVE SUMMARY

---

The use of credit is a cornerstone of the United States financial system. Consumers, businesses and the government all rely on the availability and extension of credit to purchase goods and services. A credit-based economy is dependent on free market economic principles that support the extension of credit such as the right to contract and the right to possess and dispose of property.

An account receivable is the byproduct of an extension credit because it represents the promise to repay the creditor for the credit that was extended for the purchase of goods or services. An account receivable is an asset that can be purchased and sold just like any other asset. The free marketability of account receivables creates significant benefits to both the business and consumer communities.

For consumers, it:

- Allows credit to be widely available
- Produces greater negotiating power often resulting in favorable settlements of the accounts for less than the original balance
- Provides enhanced service and convenience by being able to work with local businesses

For businesses, it:

- Facilitates the sale and reinvestment of corporate assets
- Permits small businesses to compete
- Allows companies to change the focus of their business operations based on changing societal or corporate priorities

RMAI believes that government holds a responsibility to consider the least restrictive options in their regulatory actions that will achieve the same or greater benefit sought by the government. This White Paper has identified four specific alternatives that would have resulted in greater protections than the elimination of the free marketability of receivables. RMAI recommends that these alternatives be considered in legislative and regulatory actions:

1. Adopt standardized industry best practices
2. Require all industry contracts contain boilerplate representations and warranties
3. Require originators to implement rigorous contractual conditions for the resale of receivables
4. Be open to new technologies as they develop that enhance security