



What is Factoring?

Factoring is the sale of commercial accounts receivable invoices to a buyer, or factor, at a discount, in order to obtain cash on the invoices, with the factor assuming full responsibility for credit analysis, payment collection and credit losses on the new accounts. There are usually three parties involved when an invoice is factored: the seller of the product or service who originates the invoice, the debtor is the recipient of the invoice for services rendered who promises to pay the balance within the agreed payment terms, and the factor.

FAQ:

*Q: How much does it cost to **Factor Invoices**?*

A: Our fees are determined by the amount financed, average invoice size and collection time. All fees are clearly stated in your agreement; there are no hidden charges.

Q: What types of receivables can be factored?

A: Just about any verifiable invoice for services rendered or products delivered, due from a creditworthy company can be used to **factor invoices**.

Q: Do we bill on our letterhead or the factor's letterhead?

A: You continue to bill your invoice on your company letterhead, but the payments must be remitted to our address.

Q: Must I agree to finance a minimum volume of future receivables?

A: No. Finance as you need it. Stop when you wish and continue as needed.

Q: What will my customers think?

A: Factoring Invoices is used by many of the largest corporations in the world. Many of our existing customers do business with companies such as Exxon, Mobil, Wal-Mart, General Motors and many Fortune 500 companies. Factoring is a widely accepted method of business financing and has never created a problem for any of our customers.

*Q: How long does it take to get approved for **Invoice factoring**?*

A: Once all the information is received, decisions are made quickly, eliminating long waits for loan committee approval. The quicker we receive preliminary information on your company, the quicker we can submit a proposal for your consideration and help you start **factoring invoices**.

Factoring Benefits:

The benefits a company can realize through this funding approach are many.

Just To Name A Few:

- Avoid the loss of business to competitors who are better financed
- Spend less time managing your receivables and more time managing your business
- Get cash for your invoices within 24 hours
- Stabilize cash flow
- Take advantage of purchase discounts
- Stop worrying about meeting payroll at the last minute
- Improve your company's credit status
- Pay off loans and other debts
- Meet seasonal demands
- Offer better credit terms to your customers
- Your "Line of Credit" grows as your business grows
- Purchase inventory sooner and fill orders faster
- Fund marketing efforts to grow your business
- Reinvest in your business
- Quick, simple & straightforward

PROFITABLE COMPARISON

	Currently	With Factoring
Annual Sales	\$1,000,000	\$2,000,000
20% Gross Profit	\$200,000	\$400,000
Overhead	\$60,000	\$80,000
Cost of Factoring	N/A	\$60,000
Net Profit	\$140,000	\$260,000

Factoring vs. Bank Financing:

Where do you go after the Bank says "NO"? Friends? Relatives? Customers? Credit Cards? Not likely. Banks are generally looking for a borrower's ability to repay a loan based on the company's cash flow or individual borrower's income and assets. Generally, banks are looking for the following criteria to grant a loan or line of credit but we don't:

- Minimum 3-5 years in business.
- Available assets at least equal to the loan amount.
- Available personal assets equal to the loan amount.
- Clean and strong credit history.

Factoring, as an alternative source of financing your company's growth, eliminates many of the Bank's criteria that are difficult to meet. Further, assuming you can get a loan for the initial start up capital or for ongoing operations, what are you going to do after you've spent those funds? You are still going to be waiting for the invoices to be paid. The biggest problem with bank financing or financing via your credit cards is that once you've reached your maximum credit limit, you're stuck

and out of luck. Where as banks lend primarily based on cash flow and collateral (your ability to repay the loan) and establish an absolute maximum they will lend you, Factors provide cash based on the quality and liquidity of your assets... primarily your accounts receivable. Factors primarily look at the quality of your accounts (the credit worthiness of your customers and the validity of your invoices) which allow them to provide financing even if your company is new, or your credit history is weak, or if your cash flow is a little slow. Because each account is evaluated individually, a Factor has much more flexibility than a Bank when it comes to keeping up with an increase in sales. Here's how factoring differs from traditional bank loans:

- No lengthy applications.
- No financial audits. Short approval process.
- Short or long term programs available.
- No compensating balances required.
- Your credit line grows with your business.
- New companies are acceptable. Credit problems ok.
- Cash in 48 hours or less.
- Approval based on the credit quality of your accounts, not you.

Types of Factoring:

- Trucking
- Manufacturing
- Staffing/Labor
- Energy / Petro
- Distribution
- Government Receivables
- Tech / Communication
- Printing
- Other

Who uses Factoring?

Any business that invoices customers for payment can use factoring services. It is a significant source of financing for many companies that depend on fast billing turnaround, such as hardware stores, pharmacies, dry cleaners, florists, and wine and liquor distributors. Service industries such as temp agencies, security guard services, and trucking companies also use factoring services to meet payroll deadlines or simply improve cash flow as needed.

Factoring is also a valuable resource for businesses like garment companies and textile businesses that traditionally have a hard time securing loans. By factoring their accounts receivable, they can purchase raw materials or make other investments to grow their businesses.

The typical factoring service candidate has \$5 million to \$10 million in annual sales and \$25,000 to \$100,000 in accounts receivable every 30 to 60 days. But most factors will work with any company meeting a monthly minimum of \$5,000 to \$10,000 in invoices.

Businesses with less than \$5,000 in accounts receivable may find a factor willing to work with them, but are likely to have to pay more for their services. You may want to consider a small business loan or low-interest credit card if you have less than \$5,000 in monthly invoice value.

Factoring Process:

Step 1 - Submit Invoice

Example:
\$10,000

Step 2 - Once verified, we advance 80% of Invoice amount to Client

Example:
80% of \$10,00 = \$8,000 paid to client

Step 3 - Client's customer pays invoice directly to "ABC" address

Step 4 – "ABC" recovers its advance and pays the difference (Reserve) less the fee (2%***) to the Client

Example:
\$10,000 Invoice
- 8,000 Advance
2,000 Reserve
- 200 Fee
\$1,800 Reserve paid to client

Total to client: \$8000.00
+ \$1800.00
Total = \$9800.00

Step 5 - Client nets 98% of invoice but receives 80% of invoice 24 hours after the invoice is verified and approved

Step 6 – "ABC" provides many on-line, user-friendly management reports to it's Clients, including account summary statements, reserve reports, detailed aging reports, etc.