



2009 Factoring Conference Speaker Handout



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Factoring 101

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factoring basics

the purchase of an invoice at a discount

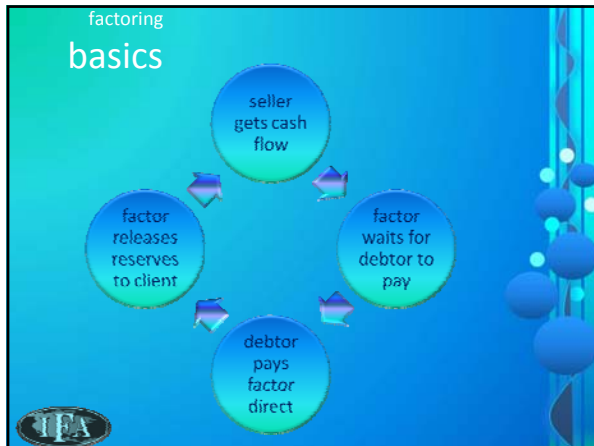
factor pays cash to purchase the invoice

asset belongs to factor

factor confirms the purchase

factor controls the proceeds





who uses it?

companies...

- who can't qualify for traditional financing
- who wish to outsource credit and collections
- who need working capital but don't want to give up equity
- who can't afford to service a loan



security

in addition to those accounts purchased...

factor hold's a security interest in client's other collateral as defined in the factor's factoring agreements

evidenced by UCC financing statement



security

the client's collateral (or) property

defined as accounts under the uniform commercial code (UCC)

visit: www.law.cornell.edu/ucc/9/




security

the client's collateral (or) property

accounts

"Account", except as used in "account for", means a right to payment of a monetary obligation, whether or not earned by performance, (i) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (ii) for services rendered or to be rendered, (iii) for a policy of insurance issued or to be issued, (iv) for a secondary obligation incurred or to be incurred, (v) for energy provided or to be provided, (vi) for the use or hire of a vessel under a charter or other contract, (vii) arising out of the use of a credit or charge card or information contained on or for use with the card, or (viii) as winnings in a lottery or other game of chance operated or sponsored by a State, governmental unit of a State, or person licensed or authorized to operate the game by a State or governmental unit of a State. The term includes health-care-insurance receivables. The term does not include (i) rights to payment evidenced by chattel paper or an instrument, (ii) commercial tort claims, (iii) deposit accounts, (iv) investment property, (v) letter-of-credit rights or letters of credit, or (vi) rights to payment for money or funds advanced or sold, other than rights arising out of the use of a credit or charge card or information contained on or for use with the card.

and proceeds of inventory




security

who's on first?
state and county level searches/filing
(in some states)


why do you care?
(and you really should care)

what else can be learned during a UCC Search?
a story about the prospect
how many others have a secured interest in the business
prior used names (dba's, etc...)
prior addresses



six "c"s of credit

collateral	capacity capital
credit	
character	common sense conditions




client underwriting

due diligence
product or service
what do they do?

← collateral →

management / principals
experience?
character? ← character



client underwriting

historical and projected sales
 profitability?
 what if it is a startup?


← capacity

capital →

financial health
 financial statements
(and the lack thereof)

billing practices
 what is the trigger?
 how will you verify?

← collateral



client underwriting


the collateral

prior IFA Annual Conference Factoring 101 attendee:
"what is so hard about buying an invoice and waiting to be paid from the customer?"
 we haven't seen him again

it's never that easy, if it was everyone would be doing it.

understand the paper you buy,
 lot's of things can occur which may devalue the collateral amount purchased,
 or otherwise impact the collectability of an invoice.


common sense conditions




account debtor credit

spread of risk
 concentrations
 multiple databases
 d & b
 experian
 naem
 many more

constant review


 concentrations can be a killer




portfolio management

verification

- paper
- verbal
- written

how much is enough?



portfolio management

funding & reserve management


pay yourself first

- dilution
- track
- adjust advance rate



operations

- mail
- cash application
- banking
 - deposits
 - advances
- platform



did you know?


Yahoo named factoring as one of the hottest jobs for 2009!



continuing education

- law & business of factoring
 - account executive and loan officer training
- credit & underwriting in turbulent times
 - presidents & senior exec meeting
- transportation meeting
 - small factors workshop
- factoring government receivables

make suggestions to the IFA



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