Factoring 101
Factoring:
Is a funding and collections service which releases cash early that is tied up in outstanding customer invoices. Factoring is not a loan.
The Factoring Process

1. Sell product
2. Generate Invoices
3. Send Invoices to Factor
4. Factor Verifies Invoices
5. Factor advances up to 90% of face value of invoices
6. Your Customers Pay Factor
7. Factor Sends Your Company the balance less fee
8. The cycle Continues
Factoring has been around for a long time.

Ancient Greece
Around 444 B.C.
The Factoring Industry started in the USA in the early 1900’s.

- US Factoring Market share in 2011 was over $88 billion.
- 40% of the factoring volume came from the Northeast.
Who factors?

- Companies that are in turnaround or bankruptcy.
- Companies with double digit growth.
- Companies with seasonal needs.
- Start ups.
- Companies that have suffered a financial setback.
- Exhausted line of credit.
# The Numbers (how it works)

## Day 1
- **Invoice Amount**: $1000.00 (delivered and billed)
- **Advance (80%)**: $800.00 (normally the next day)

## Day 30
- **Check Received**: $1000.00 (posted daily)
- **Advance re-paid**: ($800.00)
- **Transfac’s fee (2%)**: ($20.00) (fees calculated on gross)
- **Rebate**: $180.00

- **Original Advance**: $800.00
- **Total Proceeds**: $980.00
Are there different types of factoring?

- Traditional (notification – recourse)
- Non – recourse
- Non – notification (confidential)
- Hybrid
Factoring Points?

- You can factor even if you have a loan from bank.
- Factoring is not treated as debt on a balance sheet.
-Factoring frees up your AR department as the factor chases and collects outstanding invoices.
- Manufacturers use factoring to purchase raw materials better by paying faster.
- As compared to providing a 2% 10 days payments to your customers – factoring is very cost effective.
Specialty Industries covered

- Agriculture
- Food & Beverage
- Transportation
- Manufacturers (light & automotive)
- Temporary Staffing
- Apparel
- Service Providers
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