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It’s been a busy couple of months at the IFA.

This year’s annual conference is on track to be the largest conference ever. On the planning end, we have more sessions, more speakers, more exhibitors and more networking time than ever before. On the speaker side, we have more general sessions, more breakout sessions and more international sessions than any previous event. On the networking side, not only are we returning with all of our networking events, we’ve added a 5k walk for the charity Educate Tomorrow. We implemented this walk as we had a number of requests from non-golfers for an event that would allow them for an informal outdoor social physical activity. On this casual walk, participants can walk as fast or slow as they like. Feel free to stop for a drink or a bite to eat if you’d like. Given all of the excitement we have planned for this year, it’s no surprise that early registration is running much higher than any previous year. Detailed conference information can be found on page 18.

We released our biennial factoring survey. This is the only survey that reports on how the factoring industry operates. By completing this survey, you will not only assist your company, but help out the entire factoring industry. If you finance receivables, you are welcome to complete the survey. By doing so, you will receive the detailed survey report as well as a customized report comparing your company to other factors. Contact the IFA for details on how to complete the survey.

Our Account Executive Certification Program is now in beta mode. This is the world’s only factoring certification program and will allow Account Executives to show how much they know. The certification will assist individuals’ current employers and potential clients in evaluating the knowledge level of the staff within an organization. Not only will this help companies, it will also help to elevate the entire factoring industry. We are very excited about this new venture. You can find additional details on page 22.

We’ve released our 2013 training course schedule. This includes a great mix of new courses as well as bringing back many of your favorites. You can see the upcoming events on page 21.

We are excited to announce the IFA’s newest employee, Darla Auchinachie. Darla has been involved with the factoring industry for over 20 years. She’s been an instructor for the IFA and has spent quite a bit of time consulting with factors. We are really excited to welcome her to the IFA.

I’ll end with an update on my health. Well, after 6 months, I finally got the wound VAC off. Although the wound is still not healed, I can finally start spending time getting on with my life. I’m looking forward to learning how to drive with hand controls and getting back to the office.

Thanks again for your support of the IFA and I look forward to seeing everyone in Miami Beach.

Bert Goldberg
PERSONNEL

Michael Janda Joins the Healthcare Finance Team at Wells Fargo Capital Finance
Michael Janda has joined Wells Fargo Capital Finance, part of Wells Fargo & Company, as Managing Director of its Healthcare Finance team. Based in Fort Lauderdale, FL, Janda’s efforts will be solely focused on providing senior secured financing to middle market healthcare providers and ancillary service companies operating across a variety of sectors, including hospitals, skilled nursing, home healthcare, hospice, medical device, pharmaceutical and other healthcare companies.

Federal National Hires Executive Originator
Richard Sinclair has joined Bethesda, MD based Federal National Commercial Credit as Executive Originator, representing Federal National primarily in the Baltimore, MD region and extending into Pennsylvania, New Jersey, and Delaware.

Allied Affiliated Funding Announces New Vice President for Business Development
Allied Affiliated Funding announced that Chris Long joined the company to further develop their growing portfolio of regional and national accounts. Long comes with a wealth of experience within the finance industry and will oversee the Southwest region.

Crestmark Promotes Seven Employees
In an effort to continue to strengthen Crestmark’s presence while rewarding employees for the instrumental roles they have played in the company’s development, Crestmark has recently promoted seven employees. “Crestmark is proud of each of these individuals who have helped us expand and continue our support of businesses in need of working capital. We congratulate each on their success,” said Mick Goik, Crestmark President/COO.

Allied Affiliated Funding Announces New Executive Vice President
Allied Affiliated Funding announces the promotion of Joel Flig to Executive Vice President, Principal. Flig originally joined Allied in January 2010 as Managing Director, New Business for the Northeast Region of the United States, where he has been personally responsible for generating more than half of all new business developed during his three years with Allied.

Bibby Financial Services Adds Key Staff to Montreal
Bibby Financial Services is pleased to announce Michael Kerdman has joined the Montreal team as Operations Manager.

TRANSACTIONS

Gibraltar Business Capital Closes Three New Factoring Lines of Credit
Gibraltar Business Capital recently closed on three new factoring lines of credit. The first transaction is a $2,500,000 factoring line of credit to the largest free circular publication in the US. The second transaction is a $1,000,000 factoring line of credit to a six-year old manufacturer of high tech products for traffic signal control and intelligent transportation systems. Lastly, GBR closed on a $600,000 factoring line of credit to an OH-based business process outsourcing center.

TAB Bank Provides Credit Facility
TAB Bank has provided a $2.5 million senior revolving credit facility through a multi-year agreement for Eagle One Golf of Anaheim, CA.

Republic Business Finance Provides $2.5 Million Working Capital Facility
Republic Business Credit announced that it provided a $2.5 million facility to a growing Houston-based food processor.

Amerisource Funding Announces Three New Clients
Amerisource Funding recently provided four working capital financings, closed the following deals in December:
• $200,000 government contract financing services for an information security management company
• $1.5 million a/r factoring line for a telecommunication system provider
• $300,000 payroll funding line for a provider of consultancy and staff augmentation services
• $2,500,000 factoring line for an aeronautical product provider

Maxium Financial Services Announces Accounts
Maxium Financial Services Inc. announced recent transactions completed by their Accounts Receivable and Asset Based Lending Group over the last few months. Transactions with advances of in excess of $5 million have been approved to include clients in the Transportation, Staffing, Logistics and Warehousing sectors.

First Capital Provides $13 Million A/R Purchase Facility to Specialty Chemical Manufacturer
First Capital, a national commercial finance company, has provided a $13,000,000 Accounts Receivable Purchase Facility to the US subsidiary of a global manufacturer of specialty chemicals. The facility is in the form of a non-notification factoring agreement and is collateralized by a dedicated pool of the client’s accounts receivable.

ProMAC Financing Announces Recently Closed Transaction
ProMAC Financing announces a $600,000 transaction to a New York based Plastics Bottling Manufacturer with Green Technology. The manufacturer has distribution and warehouses nationwide and currently does $21 million in revenue. Funding will be used for inventory and new product launch.

The Porter Capital Group December Deals Update
The Porter Capital Group, which specializes in A/R financing, closed the following deals in December:
$40,000 non-recourse factoring facility for a transportation company located in Houston, TX; $75,000 factoring facility for a transportation company located in Birmingham, AL; $500,000 factoring facility for a transportation company located in Woodstock, AL.

ProStar Trucking Chooses TAB Bank for a $1 Million Credit Facility
ProStar Trucking, LLC of Salt Lake City, UT has chosen TAB Bank for a $1 million credit facility. The new facility is based on accounts receivable and has been extended through a multi-year agreement.

Federal National Closes Four Working Capital Financing Lines
Federal National Commercial Credit recently provided four working capital financing lines to the following small businesses, totaling $4 million.
• $2 million working capital financing line for an information security management company
• $1.5 million a/r factoring line for a telecommunication system provider
• $300,000 payroll funding line for a provider of consultancy and staff augmentation services
• $200,000 government contract financing line for an 8(a) certified provider of program support service

INDUSTRY NEWS

Houlihan Lokey Acquires Milestone Advisors, LLC
Houlihan Lokey, the international investment bank, has acquired Milestone Advisors, LLC, a Washington, D.C.-based independent investment banking firm which provides mergers and acquisitions, corporate finance, and asset valuation services.
and sale advisory services to clients in the financial services industry. The transaction closed on December 31, 2012.

**Exec at Broker-Breaking MedCap Pleads Guilty to Wire Fraud**
Joseph J. Lampariello, former president of Medical Capital, pleaded guilty to wire fraud and faces up to 21 years in federal prison and an order to pay $49 million in restitution, according to a report in The Orange County Register. The press report stated that the plea agreement was filed under seal in United States District Court in the Central District of California.

**CIT Agrees to Acquire Commercial Loan Portfolio from Flagstar Bank**
Under the terms of the agreement, CIT Bank, the U.S. commercial bank subsidiary of CIT, will acquire approximately $1.3 billion in commercial loan commitments, of which approximately $800 million is currently outstanding. The assets represent a substantial portion of FSB’s Northeast-based commercial loan portfolio, which consists primarily of asset-based, commercial real estate, and equipment finance loans and leases. The purchase is expected to be substantially completed during the first quarter of 2013.

**Inapa Announced Sale of Factoring Operation in Germany**
Inapa’s subsidiary Papier Union has sold 60% of the share capital in the company PMF - Print Media Factoring GmbH, as the company said in a press release received by Lesprom Network.

**LightStar Financial Services Implements Bayside Solutions’ CADENCE Platform**
New commercial finance company LightStar Financial Services and commercial finance software developer Bayside Business Solutions announced that LightStar has successfully implemented Bayside’s CADENCE | Live platform to administer its business-to-business lending operation.

**Crestmark Now Offers Equipment Financing**
Crestmark has expanded their services to include equipment financing. The opportunity includes various methods for lending on a businesses’ stand-alone manufacturing equipment; and looks to include options for financing rolling stock in the future.

**King Trade Capital Announces Record 2012**
King Trade Capital announces full year 2012 funding volume reached a record, with a 47% increase compared to a year ago.
Coface Economic Outlook 2013: Concern Continues for Companies in Europe

As a global credit insurer, Coface keeps a close eye on the health of companies, the countries where they do business, as well as credit flows around the world. With that in mind, Coface has issued a cautious scenario for the global economy in 2013.

BY YVES ZLOTOWSKI

As a global credit insurer, Coface keeps a close eye on the health of companies, the countries where they do business, as well as credit flows around the world. We assess country risk from a very particular point of view, with grades based on the average level of payment defaults by companies in a given country. In addition, Coface grades the economic, financial and political outlook of the country, look at the openness and transparency of doing business, and then we consider our own experience with non-payments there (i.e., credit insurance claims.) Our country risk assessments use a similar grading scale as credit agencies, but our focus is primarily on short-term company credit.

With that in mind, Coface has issued a cautious scenario for the global economy in 2013.

We have divided the world into advanced and emerging economies. Among the advance economies, the eurozone—the 17 countries that use the euro as currency—will experience continued recession with -0.1% growth. (Because of our concerns about the eurozone, whose economy as a whole ranks just below the US, we will return for a closer look below)

In the US, we forecast GDP growth of 1.5% this year. The engines of the US economy which account for half of US GDP—small and medium businesses (SMEs)—are in good relative shape, but are reluctant to plan for 2013 because of continued anxiety over the political stasis in Washington.

The world’s third advanced economy that we follow closely is Japan. While Japan is forecast to have positive (+0.8%) growth this year, it remains on the Coface watch list for a possible downgrade in its country risk assessment grade. Confidence is volatile due to the risk of falling exports, particularly to China, and concern over the health of the electronics sector.

Though risks in the advanced countries remain at heightened levels since the 2008-2009 financial crisis, corporate risks in the emerging countries continue to improve. The average growth rate in emerging countries slowed down in 2012 compared to the previous years, but at 4.9%, it is still good. Even in countries that caused worry or disappointment (like Brazil), growth remained positive. For those reasons, Coface is projecting 5.2% growth overall for the world’s emerging economies in 2013.

The results of the past few years have shown that emerging countries are quite resilient. It would seem they have a greater resistance to external shocks, thanks in large part to more responsive and prudent economic policies. Economic growth in emerging countries has also benefitted from the uninterrupted expansion of their middle classes who are more demanding in terms of law, anti-corruption measures, freedom and transparency.

However, many emerging countries still struggle with political and social tensions along with poor governance. According to the World Bank’s methodologies that gauge government effectiveness, rule of law and control of corruption, South Africa, Brazil and Turkey are in perhaps the best shape, while Egypt, Indonesia and Russia are among the most deficient.

Political institutions in emerging countries are being challenged to adapt to new situations, but they are often slow to change. Because of these factors, we cannot use GDP growth as the measure of business potential in a country. For example, in India (5.5%) and South Africa (5%), demand for social changes such as the growing middle class in India and post-Apartheid tensions in South Africa, are in growing conflict with institutions resistant to change.

European Companies Are Still Struggling

Returning to the situation in Europe, the outlook varies by country. While Europe’s financial crisis appears on the way to being resolved, the downturn in the real economy is not expected to end in 2013. Positive growth

Debtor Quality & Credit Trends
should take place in Ireland (+1.1%), Germany (+0.6%) and Belgium (+0.6%). The Netherlands (-0.1%) and France (-0.2%) should be flat or slightly negative, while Italy (-1.0%), Spain (-1.5%), Portugal (-2.0%) and Greece (-4.5%) will continue in recession.

For Europeans, there are several causes for concern that have sapped the confidence of businesses in the real economy. Insufficient progress in institutional reforms has put companies in a wait-and-see mode. Until companies and wealthy households can foresee what the eurozone’s future might look like, they will not use their resources for expansion or consumption. The downturn in the labor market has also mired down the economy. Real wage growth is flat or negative and the youth unemployment rate ranges from a manageable 10% in Germany to over 20% in France, nearly 40% in Ireland and over 50% in Spain and Greece. Perhaps the most daunting factor facing companies is the tremendous drag of public and private debt. In Europe, there is an inverse relationship between GDP growth and public debt. Greece is the obvious example: The country has the highest level of public debt in the EU and also the lowest GDP growth rate (-7% in 2012). Italy, Spain and Portugal are not far behind. There has been no concrete progress toward debt reduction – in 2013 it is expected to be higher than in 2012.

Business confidence tracks very closely to GDP growth, so needless to say,
failures were mainly export driven, the effect on the German domestic economy has not been as great is it has been in France, which has seen a high number of SME bankruptcies that have greater domestic impact.

Companies in Italy and Spain will have another difficult year. The level of corporate insolvency has risen in both countries since 2008. In Italy, twice as many company defaults are expected compared to before the crises. In Spain the number will be seven times higher. On the positive side for Spain, the country is now undergoing banking reforms that will be beneficial in the long run, though very painful in the short run.

In Italy, companies are not as overburdened with debt as they are in Spain, but they are still very fragile after the economic shock of 2012. They are dealing with the fall off in household consumption plus a credit crunch that started in 2012. Traditionally, banks have supported companies in Italy but since June 2012 this is not the case. Companies in both Italy and Spain will experience increasingly scarce bank credit.

In the emerging European markets, the Czech Republic, Slovenia and Poland, who have a fair share of exports to Western Europe, are now starting to fully feel the pain of the European recession.

As we have seen after other recessions, companies that do survive come out of the experience with a greater understanding of risk management and an appreciation for the balance between short-term tactics and long-term survival.

**Global Trends**

In the near term, growth in the advanced economies will continue to lag as governments struggle with large public debt, and in the case of the US, a federal government in gridlock. Like their emerging contemporaries, the advanced nations are in their own way struggling from a mismatch between economic and social development. It will take time to regain equilibrium.

Fortunately, many of the emerging nations have surprisingly sophisticated economic policies that are attempting to pace social reforms to meet the demands of their growing middle classes. Moreover, many have resolved not to make the same mistakes that advanced economies have made.

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Yves Zlotowski has been the Chief Economist at Coface since 2007. Yves first joined Coface in 2001 as the senior economist on Emerging Asia and CIS with over 10 years of experience with organizations in Paris and Russia. Yves has authored a lengthy number of publications in Academic and General Reviews, participated in media interviews and has been published in several books. He contributes to regular conferences in both French and English and has participated in missions around the world. Yves holds a PhD in Economics from the University of Paris in 1997, a Master in International Relations and another Master in Monetary and Banking Economics from the Pantheon Sorbonne.
Debtor Credit: An Issue Even in Sales

It has been said, “God helps those that help themselves”. Well, I can’t speak for God, but I can state that the best salespeople help themselves in all areas of booking a new transaction, including the managing of the customers. I know many in sales believe that there’s nothing they can do in this area because this is a strictly “credit driven” process. But nothing could be further from the truth. While I agree that debtor credit is not a decision made in the sales department, selling around debtor issues starts where all selling starts, with the salesperson.

Why Care?

To answer this question, let’s start with one end of the extreme. I have personally seen prospect packages come in with the signed Application, some financials, a tax return, articles of incorporation, an AP Aging, a customer list and the salesperson’s draft Proposal Letter for approval. Not a bad start. It’s really missing only one thing. But of all the things to be missing, it’s the one thing that matters most, the A/R Aging! I’d be more impressed with someone who only came in with an A/R Aging and nothing else. As a Factor, if the A/R is good, we will do everything humanly possible to make the deal work. If the A/R is not good, nothing else matters. Incomplete prospect packages are not uncommon. We know we need to respond quickly in our business so we’ll propose even if we’re missing some information. However, incomplete because there’s no A/R Aging? Frankly, that’s embarrassing. Starting with the point that the A/R is everything, it should now come as no surprise that the next step is to actually look at the A/R Aging. And not to just make sure that the numbers are all lined up in pretty little columns.

Sales needs to understand who the large customers are that are truly driving the deal. And if there are any large past due amounts, these need to be discussed NOW. Because if there are going to be problems generating enough in advances to make the deal happen, better we find out now before we waste a lot of time chasing rainbows. This is what most separates the big earners in sales from the rest of the pack; their ability to avoid wasting time. There are so many things that we can do in life to adapt to various circumstances. This is what makes humans dominant over the rest of earth’s creatures. But the one thing we can’t do is change time. So we damn well better manage it as best as possible.

OK, So What Should I Do?

As already mentioned, you have to look at the A/R Aging. If all of the large customers are household names like Coke, Kraft, Walmart, IBM & Lockheed and there are no large balances past due, then you know you have a factorable prospect. You should also have figured out by now that you had better move fast to get this deal off the street because every competitor will want this account too. And the longer you let the prospect shop, the lower the rates and the less likely you’ll be the winner. You may want to go as far as re-prioritizing your schedule to allow you to spend more time getting this account through the process. This is managing your time to best maximize your results.

On the other hand, there may be large balances to debtors whose name you don’t recognize. Are you going to have to factor everything to make the deal happen? If so, inquire as to what they know about the customers. Did they get credit applications? Are any of these unrecognizable debtors divisions of larger companies? Or the large balances may be outstanding to familiar names, but there’s a fairly significant amount past due. You need to ascertain why. What are the Terms? What is the billing process (progress, contingent, etc.)? What is the approval process? Is this normal or is there something specific with this group of past due invoices?

Then we have some of the more complicated issues. The customer may be listed as Coke/OnTimeTemps. Coke will be easy to approve. But Coke may not be cutting your prospect the checks. Back over a decade ago, staffing firms always dealt directly with their customers. Today, it is very common for staffing companies to
be supplying temporary workers to a fellow staffing company who really has the Coke account. In fact, the larger the ultimate customer, the more likely it is to have an intermediary company in the picture. So when you see this dual-name customer, you need to find out the whole story. A $1MM unsecured trade line to Coca Cola is one thing. A $1MM line to On Time Temporaries is quite another. Therefore, it is imperative that you find out the whole story to gauge what you really have. It would be foolish to rearrange your schedule to move this along faster until you know your company can factor this customer.

The Best, Manage

In the first paragraph of this article, I confirmed that debtor credit decisions are not made by the sales department. And yes, a situation is going to be worth a $1MM trade line or it’s not. So the ultimate answer is a bit black and white. But what IS manageable is how the prospect perceives how they are being treated. Salespeople who question obvious A/R issues rarely have prospects get surprised when these issues are brought up during the underwriting stage. In fact, the prospect usually does a little extra work ahead of time knowing that they may need to convince the underwriter to allow for maximum availability. This makes the whole experience better. On the other hand, some salespeople invest their precious time gathering up the needed elements of the Application Package while carelessly ignoring obvious problems with the A/R. Then, when the underwriter questions the obvious, the prospect immediately replies, “Well, John didn’t say anything so why is this coming up now?” So instead of people working together trying to come up with a solution that everyone can live with, we have an irate prospect feeling misled and a surprised underwriter wanting to work on any deal other than this one. And who was the one person who could have made the biggest difference? The salesperson.

CONCLUSION

While most decisions are made by credit and operations, the salesperson sets the stage. The better you understand your deals, especially the collateral, the better decisions you can make about how to invest your time. And the better the chances the decisions made by credit will be received by the prospect. Again, nothing will suddenly make poor debtor credit good or make risky collateral worth lending against. But decisions are better made with full information. The best of the best in sales know this and take control of their own destiny. •
The Challenges Ahead in 2013

An Interview with Matthew Panosian, Senior Vice President, Chief Credit Officer, Accord Financial Inc.

BY MELANIE GREENBERG, THE COMMERCIAL FACTOR

IFA: You’ve been involved in our industry in a credit capacity for such a long time, how would you say your risk tolerance of debtor credit has evolved over time? Or instead of evolving, do you find that you continue to practice the same analysis as you did when you first started?

PANOSIAN: Excellent question—when I started, I didn’t understand the whole picture—such as the relationship with the supplier—critical or not—the strength of our client, state of economy, etc. Analytically I was one dimensional and didn’t use street judgement or general business logic.

IFA: Is it more challenging or less challenging today to obtain the necessary data that you require to assess an account debtor’s credit limit?

PANOSIAN: I think it is more challenging today. When I started, it was common for D & B and other agencies to get financial information. In the less litigious and regulated environment, bankers felt freer to release information on the account debtor’s banking relationship.

IFA: Is it more challenging or less challenging today to obtain the necessary data that you require to assess an account debtor’s credit limit?

PANOSIAN: I think it is more challenging today. When I started, it was common for D & B and other agencies to get financial information. In the less litigious and regulated environment, bankers felt freer to release information on the account debtor’s banking relationship.

IFA: We often focus on debtor credit and not always on client credit. How would you say the typical “factoring client” has fared recently in terms of balance sheet quality? Are companies more or less stressed today than they were last year?

PANOSIAN: We regularly assess client credit when determining credit limits for their customers and I haven’t seen much of a change. Factoring clients are always stressed in one way or the other, or they would qualify for bank financing. If anything, our clients have pulled their horns in along with the rest of the economy. In the past year we have not lost any clients due to reckless expansion or failed get rich schemes. Over all they seem to have weathered the storm.

IFA: What do you anticipate might be the greatest challenges ahead in 2013?

PANOSIAN: Everyone in the lender/creditor chain does better in an economy that is growing. The current business climate is not good. Debtors (and everyone is a debtor) are wary of the unknown. Today’s environment of government grid-lock, escalating medical costs, and higher taxes and fees at all levels of government is not good for business. Those companies barely hanging on with thin margins or poor management will continue to struggle and many will not make it. Well managed firms with good margins will continue to divest themselves of non-core, and low or non -performing operations. The challenge will be in successfully identifying which is which.

IFA: Once you’ve pulled credit information for a debtor, what is your procedure for converting that into a credit limit?

PANOSIAN: Debtor credit limits are established by considering both the debtor’s credit history and its financial strength. If available, we will analyze the company’s latest year end and interim financial statements—particularly looking at inventory levels, A/R turn, net worth and industry. We also consider trade payments, years in business, company background as well as antecedent information on the principals / owners.

Secondly, in a recourse arrangement, the financial strength of the client is assessed – their ability to absorb a credit loss, any significant debtor concentrations, etc.

IFA: If you had a magic wand, what would you do to improve credit information?

PANOSIAN: Ok…if I had a wand like that; I would like to be able to discuss the financial condition of every company applying for trade credit with the CEO and CFO of that company and then confirm the story with their banker. •
Stop the Bleeding!
Lessons in Fraud Prevention

Proper due diligence will not only prevent you from closing a deal you shouldn’t, but assuming you do close the deal, that due diligence will also give you the strategies needed to properly operate and monitor your portfolio.

BY SCOTT WINICOUR

My last article discussed the art of verifications. Arguably, a factor’s up front and ongoing due diligence is just as important if not more important than your verifications. After all, proper due diligence will not only prevent you from closing a deal you shouldn’t, but assuming you do close the deal, that due diligence will also give you the strategies needed in order to properly operate and monitor your portfolio.

Legal Due Diligence

Whether you have in house counsel or refer all of your legal work outside, it goes without saying that you need a quality legal team on your side to dot the I’s and cross the T’s from a legal perspective. With all due respect to the many lawyers in the industry we are all friendly with, the loan administrator (“LA”) is just as critical to sign off on the deal as the lawyer. Your LA should be able to determine if all of the information adds up properly. From the SOS documents to the articles of organization or the operating agreement, the job of the LA is to roll up their sleeves and make sure all of the documentation makes sense. There have been many occasions where our LA has said to senior management “this doesn’t smell right”. That sniff test can often make a borderline deal that can safely be booked or convince you that it’s time to pass on the opportunity. In addition, it goes without saying that your lawyer is certainly key to the transaction. A good business lawyer can assess the true business risk and help you decide what modifications you can accept in your legal documents. However, it’s much more than just negotiating the legal documents which can be a daunting task for those of us with no formal legal training. It’s more about making sure that all of the stars are aligned based on all the legal documentation that was provided by the client. From UCC filings to payoff letters to corporate documents, legal due diligence is the first step in your underwriting to make sure you want to move forward. In addition, ongoing legal due diligence is a proactive way to stop a brush fire from burning out of control. Items such as monthly 941 discussions with the IRS and timely UCC, suit, judgment, tax lien and bankruptcy searches performed in the proper jurisdictions can prevent a small issue from becoming a large concern.

Operational Due Diligence

One of the disadvantages we have as factors is the lack of a pre-closing financial and collateral audit. We are left to our own devices to make sure we understand the financial condition and the collateral our clients are providing us. At Gibraltar, once a
prospect signs our term sheet, we hold a kickoff call with our new client. On that call, we inform the client of a due diligence Q&A form that we require them to complete. That form is similar in nature to an audit questionnaire that a field examiner would provide to a client before the exam. You would be surprised what clients will tell you when you ask them a simple question. They don’t realize it at the time, but the answers to your questions will in fact influence your decision whether or not to move forward. At the very least, they should inform you of your client’s integrity, provide you some insight as to how they manage their own business risks and give you some ideas as to how you want to operate, monitor and verify the client. Below is a sample of key questions we ask on our Q&A form:

How many A/R agings are currently in use?
Does the GL balance reconcile to the AR aging?
What are your standard sales terms?

Do you ever offer extend terms and if so, to whom?
Please provide a listing of all bad debts that have yet to be written off.
Do you have any Notes Receivable that represents converted A/R?
How many deferred revenue accounts make up the deferred revenue balance?
Do you take credit cards?
Where do your customers currently remit payment?
Do you have contracts with your major customers?
Do you offer any sales rebates or volume discounts or any rebates to any of your customers?
Do you maintain credit files and credit limits on your customers?

In addition, don’t just read the Q&A form and act solely on what the client has disclosed. Discussing the answers to your questions with the client, whether in person (preferred) or on the phone, and listening to the tone of their responses, will help you decide if you should continue to go forward and if so, how to better monitor the transaction and hopefully prevent losses.

Client Financial Statements

Some factors are basing their credit decisions without assessing the financial condition of the client. Some factors will only get financials if the client is of a certain size. I’m not here to say that is right or wrong, but for my money, it is absolutely necessary to receive financial statements from every prospect. Understanding the financial condition of the client, no matter how large or small, is critical to a factor’s success. The last thing any factor wants is a liquidation of any size. All liquidations take time, money and jeopardize our ability to manage our existing portfolio and win new business. Client financial statements should give you a strong indication of the chances of your client going out of business in the next few months. Beyond that is anybody’s guess. Quarterly CPA prepared financial statements from a reputable CPA firm are strongly preferred, annually is a must. It is common when monthly financials are prepared internally by the client. And don’t forget to have your clients deliver their financial statements in a timely fashion to you each month. After all, a client who doesn’t understand or even worse prepare their financials monthly is a client that doesn’t understand their business and is at a high risk of liquidating.
Account Debtor Due Diligence

There isn’t a factor I know who would claim that account debtor due diligence is the most important piece to the puzzle. Understanding your account debtors financial condition is done by running credit reports, reviewing public (or private if you can get it) financial statements, calling on bank and trade references and reviewing your own history with those account debtors. However, just because a customer has the ability to write a check, doesn’t mean they will. I have always said that we rely on the creditworthiness but more importantly the willingness of the customer to pay the invoice. That’s where our verifications become critical. Rather than rehash my thoughts on verifications, I will refer you to my June 2012 IFA article on fraud prevention and verifications.

In conclusion, asking the proper questions up front and relying on your underwriting team to assess the answers to all of those critical questions, can help you decide not only if you should close the deal, but also how you should monitor it going forward. Don’t stop there, continue to be proactive and look for problems. Turn over every rock until you find a problem and hopefully you will have uncovered the issue early enough so that it can be managed and mitigated going forward. After all, if there is one thing we all know, our clients can be desperate. And desperate people do desperate things. Proper due diligence should help you stop the bleeding. •

Scott Winicour

Scott Winicour is the Chief Operating Officer of Gibraltar Business Capital (GBC). GBC is a niche specialty finance platform that provides factoring and asset based lending to lower middle market businesses across the US. Scott is active in a variety of industry organizations. He has been a regular speaker at the International Factoring Associations annual conference and is a member of the Turnaround Management Association, Commercial Finance Association and the International Factoring Association. Scott can be reached at 847-272-9618 or swinicour@gibraltarbc.com.
When evaluating debtor quality trends or trying to identify debtor credit issues, there are a number of tools and trends that can be utilized. We can look at the aging, dilution, turn trends, etc. We can pull a D&B, Ansonia, Cortera, or any number of other credit reports. Some of us may have even created a debtor risk matrix that categorizes a number of variables. For this article I would like to discuss two areas, that based on conversations with colleagues and experience, are the most often overlooked when evaluating the overall debtor credit quality for a client or portfolio. The first is the verification notes. The second is the collections notes. Note: Many companies will consider verification and collection notes to be the same. While technically any collection call is a post verification, collection and verification notes are typically different in tone, done by different individuals, and the decision to extend credit to the debtor had already been made.

There are several facets to utilizing the verification and collection notes as a tool to monitor and identify possible debtor credit issues. The first is to determine if your staff is following the established policies and procedures with regards to documenting the verification and collection notes. The second is to determine if the policies and procedures that have been established are catching and identifying issues and red flags that would impact the credit decision for that debtor. Third is to train your staff on what to look for and how to use the verification and collection notes as a tool to monitor debtor credit. Fourth is to establish a practice of following up on the information obtained. Before the notes can be used as a tool, a written step-by-step process or check list must be created for verifications and collections. This step-by-step process should include; the various stages of each call, the questions that need to be asked, what information should be clearly documented, the individuals that should be advised, and the follow up required for specific issues. After creating a call checklist, it should be given to each individual responsible for verifications, collections, and credit. Once you have established and distributed a written process, the next step is to begin utilizing the information to evaluate possible issues and debtor quality trends. A more thorough and in-depth review should be made on clients that have had issues in the past. Look for specific notes or patterns in the notes that would have indicated potential issues. If no issues were identified, then we need to determine if no issues were present, issues identified were not properly documented, or if those doing the collections and verifications were properly asking and following up on questions as outlined in the guidelines.

When reviewing the debtor credit for existing accounts, we should be looking at verification and collection

**Debtor Quality & Credit Trends**

**Verification & Collection Notes: The Red Flags of Debtor Quality Trends**

This article discusses two areas that might be the most often overlooked when evaluating the overall debtor credit quality for a client or portfolio. The first is the verification notes. The second is the collections notes.

**BY TODD WEBER**
notes for anything falling outside the accepted norm, patterns that could indicate potential issues, or anything else that could impact the credit decision.

Following are some of the particular scenarios that should catch your attention when reviewing the collection and verification notes for a specific debtor or client.

- Debtor answers the phone or identifies with a different name.
- Debtor informs you they have “already paid”, “paid with a credit card”, “offset with credits” or anything similar.
- Debtor informs you that they have refused the product for one reason or another.
- Debtor is upset or complains about the quality of a product.
- Debtor informs you the invoices are consignment.
- Debtor information in the system does not match information on the invoices, previous payments, or reviewed credit information.
- Debtor informs you that the invoice was not supposed to be billed for another month.
- Debtor informs you that the payment has already been given to the client and/or they will not recognize the Notice of Assignment.
- Debtor informs you they are having cash flow issues.
- Debtor informs you that they will no longer be doing business with the client.

Any one of these or multiple other scenarios could impact the credit decision for a given debtor and, upon review of multiple debtors, could indicate a potential issue with a group of debtors for a specific client or industry. I cannot stress enough the importance of having those performing the verifications and collections immediately informing the individuals making the credit decision when issues are identified. I would also recommend that those responsible for credit, review the collections and verification notes on a regular basis when reviewing existing debtors, as well as review the notes for various clients as part of evaluating debtor quality trends or working to identify debtor credit issues. Further, I would recommend that those within the credit department sit with and listen to verification and collection calls on occasion.

It has been my experience that by making a habit of reviewing the verification and collections notes as part of the debtor credit review and/or part of the overall risk management process, you will identify potential red flags that would not have been caught otherwise. Doing this also has the added benefit of identifying various training opportunities within the verification, collection, and credit process.
The 2013 International Factoring Conference in Miami Beach, Florida, is almost upon us. Beginning Wednesday, April 24th, professionals from all over the world will be gathering together to learn tips, hear from speakers and take information back to their businesses and companies to build and improve. Being held at the beautiful and newly renovated Fontainebleau, industry experts may even have time to experience some fun in the beautiful and exciting city of Miami Beach. One doesn’t even have to leave the hotel with all of the guest accommodations, including the Lapis spa, the free-form “walls of water” pool and of course the six restaurants and two bars.

On Wednesday there is the option to attend the “Best Practices for Portfolio Management” seminar. The seminar will be focused on sharing best practices employed by seasoned factoring companies and to learn the tools that have helped build and manage portfolios. Anyone with basic factoring experience who wants to learn more about how to manage a successful factoring relationship should attend. Between the Atlantic Ocean and Biscayne Bay, just minutes from South Beach, lies the Miami Beach Golf Club where the conference golf tournament will take place on the 24th as well. At the same time the 5K Fun Walk for Charity will take place on the Miami Beach Boardwalk. Not only is the money contributed to a worthwhile cause but it is an excellent chance to network, meet fellow conference attendees and view the boardwalk and scenery in South Beach.

By invitation only, New IFA Members will be treated to a special reception at 4:30pm. This warm welcome provides new members with the chance to learn about the conference, meet the IFA Advisory Board members and our conference sponsors. That evening, the Welcome Reception, sponsored by RMP Capital Corp., is designed to give Factoring Conference attendees an opportunity to socialize and reconnect with their peers. This event is open to all conference attendees and their guests.

The full Conference kicks off with the IFA update Thursday morning, followed by Warren McDonald, who will discuss the Challenge of Change. Next on the agenda is “The Art of Deception” with Speaker Kevin Mitnick. (Highlight on page 19)

The afternoon offers six different sessions ranging from the ever popular Factoring 101 and Legal 101 to the highly anticipated “Point/Counterpoint”. Those interested in European Factoring and Import/Export to Latin America will be delighted to attend the sessions tailored specifically for these topics. Finally, industries important to factors will be represented in an “Industry Experts” forum wherein factors will have a chance to engage in dialogue with these target industries and learn directly from these experts what their needs and requirements are.

Thursday evening, Bibby Financial Services hosts a social that is open to all conference attendees and their guests. Later in the evening Tax Guard sponsors a dessert reception with sweet treats to end your day.

Friday morning begins with speaker Daniel Gross, writer for Newsweek and The Daily Beast. He will speak on how the economy will affect Factors.

Gross is one of the most widely read financial and economic writers, appearing frequently in the media. Also that morning, Bob Zadek, Esq., one of the premier attorneys at Buchalter, Nemer and an expert in the field of factoring, will speak on Lessons to be Learned From this Year’s Court Decisions and How the Courts Treated IFA Members. Throughout the day Friday will also hold roundtables and discussions for Factoring in Canada, China and Latin America, not to mention a special roundtable just for Small Factors. In addition, on the agenda we have a Legal Panel featuring the counsel of John Beckstead, Esq., Steven Kurtz, Esq. and Michael Ullman, Esq., a New Business Orientation session bringing together a panel of individuals representing five successful companies and is designed to be of interest no matter what the size of your organization, and a Resolving Problem Situations Panel, whose goal of preserving capital and Factoring Partnerships brings together seasoned factoring veterans who will share their topical stories with attendees. If that isn’t enough we also have Current Topics in Transportation with David Jencks, Esq., which last year ranked as one of the best sessions of the overall conference due to the spirited conversations amongst this group.

The Closing Event on Friday evening will be held in Fontainebleau’s nightclub, LIV. LIV recently made Reuters “Worlds’ Top 10 Nightclubs.” The evening will begin with a cocktail reception followed by dinner and entertainment. All conference attendees are invited and additional guest tickets may be purchased.

For three full hours beginning at 9am on Saturday is the Idea Exchange. It has been said that this meeting is like icing on a cake because attendees are provided with the opportunity to get together in small groups and explore common interests. An alternative to this meeting is the chance to tour the Everglades.

Whether exploring the beaches, art or fashion districts, relaxing in the sun or attending each of the speakers and presentations, the IFA Conference 2013 will be an unforgettable journey. The tips, lessons, networking and activities provided will have you marking your calendars for next year’s conference the minute you arrive.

For more information, please visit www.factoringconference.com. •
Kevin Mitnick learned how social engineering, the art of manipulating people into performing actions or divulging information, worked at the young age of 12. At the age of 16, he learned how to manipulate technology and gained his first unauthorized access to a computer network in 1979. Mitnick, now one of the most sought after security consultants in the United States, became a computer hacker, convicted felon and fugitive without software programs or hacking tools but simply by using passwords and codes that he had gained by social engineering. Mitnick’s urges to hack differ greatly from the world we live in today. He stated he was doing it for intellectual reasons, curiosity and the pursuit of knowledge.

“He here was doing hacking for intellectual curiosity and got myself into hot water and now I’m recognized as one of the world’s most wanted security experts and so it was a really positive transition,” Mitnick said. “What I got myself in trouble for is the same thing companies hire me for.”

Security and computer hacking has shifted from being something “nerds” do with spare time to a global criminal enterprise. Mitnick has now been speaking publicly for 12 years, at 20-25 events a year teaching professionals about the latest threats and networking infrastructures. During his speaking engagements, he demonstrates how attackers are able to break into the system by manipulating software and people, and then shows how to get rid of that risk to help reduce the risk of being victimized the same way. Mitnick had no formal training or interest in public speaking when he was released from prison in 2000. After being asked to speak with Congress, he hired a coach to become more comfortable speaking in front of large audiences and now speaks to professionals in industries ranging from factoring to finance to healthcare.

“I’ve spoken for so many different things; my talk is applicable to every industry not just one particular type. Every company should have an interest [in protecting themselves],” Mitnick said. “I think people will feel very vulnerable after my talk; they will feel surprised and aware. I want them to walk away understanding how they can compromise their security and how to fix it. I am interested in helping people become more aware of system security and want to help them feel more aware and understand how attacks are so easy.”

From the world’s most wanted computer hacker to a bestselling author and consultant, Mitnick has developed a passion for educating people about technology, security, and the dangers of social engineering. According to his book, “Ghost in the Wires,” Mitnick learned by doing his research and impersonating authority figures over the phone or by email that he could persuade almost anyone he wanted, including programmers and technicians, to give him things like passwords, computer chips, and even personal information about the F.B.I informants hunting him down. He writes, “People, as I had learned at a very young age, are just too trusting.”

“Companies hire me to test their security. My job is to find every security hole that is possible for a hacker to find and get information so I train on security and I public speak to raise awareness,” Mitnick said.

Mitnick explained the critical need to be aware of security holes because the “bad guys” are always looking for the weakest link.

“I think it is critical because if your company buys thousands of dollars of technology and a hacker connects to their network and all that money is just bypassed. It is important to have the comprehension of what is possible. Bad guys are always looking for the weakest link. Whether it’s the technology, the people, the processor. So it is important for businesses to understand all the threats. Many companies, the people are the weakest part, especially with social networking,” Mitnick said.

His focus for the Factoring conference will be on the areas where companies are attacked and compromised, which are very often web applications. He hopes to secure people within the enterprise and companies and looking at wireless networks and how their information can become compromised. There are many steps businesses can take to help secure their infrastructure. He stressed the most vulnerable areas being the Internet and the people themselves being large issues in security at the moment.

After running from the government, playing tricks on F.B.I agents and serving time, Mitnick has recreated a life for himself that includes a best-selling memoir, speaking engagements with some of the most powerful companies in the country and consulting people on something he feels passionately about. Most people without criminal records can never find the success and happiness he has found and hopes to continue to do for years to come. •

With more than 25 years of experience in exploring computer security, Kevin Mitnick is a largely self-taught expert in exposing the vulnerabilities of complex operating systems and telecommunications devices. In building this body of knowledge, Mitnick gained unauthorized access to computer systems at some of the largest corporations on the planet and penetrated some of the most resilient computer systems ever developed. Along with his technological achievements, Mitnick can now call himself a New York Times best-selling author. His autobiography, Ghost in the Wires, describes his breach of such big-name companies as Motorola, Sun Microsystems, and Pacific Bell, as well as his experience dodging a government investigation.
CERTIFIED EMAIL

RPost
RPost’s Registered Email services allow factors to end disputes attributed to missing, misplaced or denied receipt of notification emails for notices of assignment, notices of default, borrowing base certificates, and other important notifications. It also helps speed invoice collections with proof of invoice delivery irrefutably starting the accounts receivable aging clock.
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CONSULTING

12five Consulting
12five Consulting provides technology and social media consulting to the commercial finance industry. Born out of its sister company, 12five Capital, 12five Consulting understands the technological needs of the commercial finance industry, as it was their application of these tools that lead to their expertise. 12five specializes in software optimization, cloud computing implementation and social media representation.
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FactorHelp
FactorHelp has come to be regarded as the factoring industry’s premier resource provider. Their manuals, in use on every continent of the world, are setting the industry standard and their reputation as the one-call solution for factoring problems is growing. By consistently introducing innovative, viable products, vigilantly cultivating an extensive alliance of Strategic Partners and providing the professional expertise demanded of an industry leader, FactorHelp strives to maintain its goal of providing the unparalleled service the factoring industry expects from a solutions partner.
Phone: (972) 722-3700 • www.factorhelp.com
Email:dwilson@factorhelp.com
IFA Members receive a discount of 10% on their consulting fees and 5% discount on all FactorHelp products in the IFA store.

CREDIT

Ansonia Credit Data
With over 150 factors and growing, Ansonia Credit Data is the leading provider of affordable business credit reports. They understand the unique needs of ABL/Factoring companies. With no set-up or annual fees, Ansonia’s reports feature real-time access to a global database on companies of every size, industry and market segment. Whether you’re looking at a company in the USA, Canada, Mexico or beyond, Ansonia credit reports are priced at a low $8 with a market segment. Whether you’re looking at a global database on companies of every size, industry and market segment. Whether you’re looking at a

what’s new at ifa

Our Preferred Vendors have undergone a screening and evaluation process. When you contact the Preferred Vendors, you will need to indicate that you are an IFA member to receive your benefit.

If you offer a good or service to the Factoring Industry and are interested in applying for Preferred Vendor Status, please contact the IFA at 805-773-0011.

www.ansoniacreditdata.com
IFA Member Benefits: Free VIGILANTE™ Portfolio Analysis. Try Ansonia’s unique new program for monitoring credit portfolio risk. Call today to receive a comprehensive review of your entire portfolio.

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Carrier411 Services, Inc. provides several web-based services used by factors. Carrier411.com enables factors to qualify and monitor clients and debtors for changes in their insurance, authority and safety. Factor41.com is a free web-based system used to manage relationships with potential clients, existing clients and account debtors more efficiently and effectively. Debit411.com is a new online credit service used by transportation factors.
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IFA Member Benefits: Receive a 33% discount on Debit411 credit reports.

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Phone: 201-714-4514 • www.smyth.com
IFA Members receive free trade reports in exchange for AR data. Also receive free bankruptcy notifications & preferred rates for collections - 15% contingency fee.

Transcredit
CREDIT SCORING is one of the most important financial tools that you can use to make sound yet prompt business decisions. At TransCredit we know just how crucial this data is to keep freight in motion across the USA. In 2011 more than 93 million loads were rated by our Credit Score & Days-To-Pay™
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Email:winstor@transcredit.com
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CREDIT CARD PROCESSING

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ePaymentAmerica is the nation’s leading provider of merchant services for the factoring, A/R financing, and P/O financing industries. They offer IFA members exclusive VISA, MasterCard, American Express and Discover pricing, a discount on their virtual terminal, and a discount on PCI Compliance Certifications.
Phone: 901-385-5335 • www.epaymentamerica.com
Email: chant@epaymentamerica.com
IFA Member Benefits: 2.15% Processing Rate! $20 off monthly fee! $70 off PCI Compliance Certification!

DISASTER RECOVERY SERVICES

Agility Recovery
For the past 22 years, Agility Recovery has been a premier provider of onsite recovery solutions across the United States and Canada. When disaster hits, Agility will be there on the scene, providing you with any, or all, of the critical elements you need to keep your business in business: power, space, technology, connectivity. Membership also includes access to a dedicated Continuity Planner and secure access to your myAgility planning portal to assist in building and maintaining your business continuity plan.
Phone: 704-341-8700 • www.agilityrecovery.com
Email: sales-support@agilityrecovery.com
IFA Member Benefits: 5% discount to each respective client’s monthly ReadySuite membership fee.

FUNDING

RMP Capital Corp.
RMP Capital Corp. is a best-in-class provider of Rediscounting Lines of Credit to Independent Factoring Companies with portfolios from $250,000 to $3,000,000. Understanding the needs of the Independent Factoring Company is the driving force behind a funding program which has helped clients build their operations and grow their portfolio. With over 10-years of industry experience, RMP Capital Corp. prides itself on taking the time to understand its client's needs, which helps its clients realize their potential and achieve their goals. From providing capital to providing support, RMP Capital Corp. has the solution for you.
Phone: 631-738-0047 • www.rmpcapital.com
IFA Member Benefits: RMP Capital Corp. will pay your IFA membership yearly dues.

MARKETING

50 Words Marketing, LLC
50 Words is a marketing outsource firm for companies that either do not have a marketing department or that need to add more manpower to their existing marketing team. They serve as your dedicated marketing department.
Phone: 610-631-5702 • www.50wordsmarketing.com
IFA Member Benefits: IFA Members will receive free five hours of marketing services with the purchase of any marketing service. (Offer to new clients only)

PURCHASE ORDER FINANCING

Gateway Trade Finance, LLC
Gateway provides purchase order funding for importers, distributors, wholesalers and exporters nationwide. They will work with a client’s current
or perspective factor, ABL, lender, bank and private lender. Gateway can fund 100% of the cost of pre-sold finished goods in transactions from $25,000 to $4,000,000. They will do the small transactions and one off transactions that are not currently funded by their competitors. “Financing Growth for Entrepreneurs.”
Phone: 703-548-2882
www.gatewaytradefinance.com

IFA Member Benefit: Gateway will pay a 12.5% referral fee on completed transactions on all deals brought to them by IFA members.

RMP Trade Credit, LLC
RMP Trade Credit is the leading source of small ticket Purchase Order Financing. They do deals from $5,000 to $2,000,000 per month. They consider larger deals with participation. RMP Trade Credit closes deals faster than any other competitor. Their staff has over 100 years of manufacturing, importing and exporting experience to help their clients with their needs.
Phone: 877-340-2388 ext 400
www.rpmtradecredit.com
IFA Member Benefit: RMP Trade Credit will offer a 15% commission on all PO deals referred by an IFA member.

RECRUITMENT AGENCY

Commercial Finance Consultants
Established in 2002, CFC is the premier provider of human talent to the factoring industry. CFC’s goal is to provide their clients with the best available human capital and the most current industry information to assist in accomplishing their growth potential.
Phone: 469-402-4000 • www.searchcf.com
Email: dar@searchcf.com

IF A Members will receive an additional 60 days added to the guarantee on all placements.

SOFTWARE

Bayside Business Solutions, Inc.
Bayside Business Solutions is an innovative supplier of commercial portfolio management software that lets lenders manage factoring, invoice discounting, asset based lending, and more on a single platform—CADENCE (formerly FactorSoft). Control more. Monitor More. Lend More. With CADENCE. Phone: 205-972-8900 • www.baysidebiz.com
IFA members will receive 10% off license fees and add-on modules. For IFA members who are currently Bayside customers: Free one day refresher course, per year, at Bayside’s training facility in Birmingham, AL.

FactorFox
FactorFox Cirrus is a cloud application for factors, their clients, brokers, lenders, and others who enter or access data. Entries can be made and reports accessed from any internet-connected computer, tablet, or smart phone. As a web-native program, there is no extra cost for setting up your account or to access your data; further, you receive three hours of free training online. FactorFox’s various versions make it suitable for nearly any size factor.
Phone: 866-432-2409 • www.factorfox.com
Email:jeff@factorfox.com

In addition to the one-month free trial for everyone, IFA Members receive an additional two free months for a total of three free months to try the complete program.

TAX COMPLIANCE

Tax Guard
Tax Guard is the only tax compliance company in the U.S. that works with lenders to expose credit risks in real-time before it becomes public information. Unlike a traditional public record search for federal tax liens, Tax Guard utilizes a proprietary, patent pending process, providing due diligence and tax monitoring reports to lenders across the United States.
Phone: 303-955-3282 • www.tax-guard.com
IFA Members will receive a 20% discount on the same day due diligence order.

TELECOMMUNICATIONS

Vocalocity
Vocalocity is a cloud-based voice solutions provider with services and support especially tuned to help businesses grow. Vocalocity ensures higher quality conversations through proprietary technology that differentiates its service from traditional Voice-Over IP (VOIP) providers. With cloud-based connectivity, businesses can work from anywhere while enjoying features that deliver large enterprise visibility and functionality. Vocalocity’s cloud-based PBX enhances customer satisfaction, and delivers exceptional business intelligence and flexibility. Vocalocity PBX uses the customer’s current broadband connection to transport calls over the Internet to deliver superior voice quality and reliability.
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IFA Members receive 25% discount off Each Monthly Unlimited Extension, and either: 10% off On-Demand Call Recording or 10% off Company Call Recording. Or, buy Voicemail Transcription, Get On-Demand Call Recording free.

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This is a premier luxury sedan service that offers private transportation with experienced professional drivers. Whether you are heading to the airport, a business meeting or social event, ExecuCar will get you there safely in style and comfort.
IFA Member Benefits: Save 10% on your roundtrip transportation by booking online with ExecuCar atwww.execucar.com. Use the following Discount Code: CLLMC

SuperShuttle
SuperShuttle is the nation’s leading shared-ride airport shuttle service, providing door-to-door ground transportation to more than 8 million passengers per year. Their friendly drivers, comfortable vans and reasonable rates take the hassle out of getting to and from 33 airports in over 50 US cities and surrounding communities.
IFA Member Benefits: Save 10% on your roundtrip transportation by booking online with SuperShuttle atwww.supershuttle.com. Use the following Discount Code: CLLMC

UCC SEARCH

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Phone: 303-406-1577 • www.fcioso.com
Email:daves@fcioso.com
IFA members will receive a 10% discount off of the retail rates of their signature state and county account monitoring product.

IFA CALENDAR OF EVENTS

MARCH 5
Luncheon Meeting with NYIC
Arno Ristorante
New York, NY

APRIL 24
Portfolio Management Training Class
Fontainebleau Miami Beach, FL

APRIL 24 - 27
2013 Factoring Conference
Fontainebleau Miami Beach, FL

JUNE 17 - 18
Law and Business of Factoring Planet Hollywood Las Vegas, NV

JUNE 20 - 21
AE-LO Training Planet Hollywood Las Vegas, NV

JULY 15 - 16
Meeting for Women in Commercial Finance Planet Hollywood Las Vegas, NV

SEPTEMBER 11 - 12
Transportation Meeting Hyatt Regency Milwaukee, WI

SEPTEMBER 11 - 12
AE/LO for Transportation Factors Hyatt Regency Milwaukee, WI

OCTOBER 14 - 15
Sales & Marketing Training Class Planet Hollywood Las Vegas, NV

OCTOBER 17 - 18
Advanced Factoring Symposium Planet Hollywood Las Vegas, NV

FOR DETAILS ABOUT IFA EVENTS, PLEASE VISIT WWW.FACTORING.ORG
The IFA Account Executive Certification Program officially launches in early 2013

BY DARLA AUCHINACHIE

After years of planning the IFA in 2009 began preparation to develop a fully accredited certification program for Account Executives involved in Factoring and Receivables based finance. Since the IFA was established in 1999 its mission has been to assist the factoring community with education. The IFA has succeeded by creating a comprehensive offering of educational seminars focused solely on Factoring and Receivables Based Finance. Moreover, the IFA has been an advocate for professional standards in receivables based finance by offering other instructional and educational seminars.

Numerous participants have attended the IFA’s Account Executive and Loan Officer Seminars and these training sessions have received accolades from the industry as the best venue for learning about the art and practice of Factoring. Attending a seminar is a great step to becoming a successful Account Executive yet it is not a substitute for actual experience in the workforce. An Account Executive or Loan Officer, or whatever title is used for those who manage client activity and risk for factoring account relationships should possess a strong knowledge base and skill sets that are required to navigate through the day to day complexities that occur.

Bert Goldberg, the Executive Director for the IFA and other members of the association felt that providing a way for an individual’s knowledge base and skills sets to be measured would ultimately have a positive impact on the industry at large thus the IFA Certified Factoring Account Executive designation was created. In order for this designation to become fully accredited an enormous amount of effort went in to this program. Ultimately Certification applicants will have the ability to sit for an exam that will be administered in over 375 locations across the United States and Canada.

The IFA hired a consulting firm who has experts on staff with the experience of assisting with hundreds of certification programs. As a result, the IFA followed the advice of the consulting firm and undertook the detailed processes required to make this a fully accredited program. Professional certification is the voluntary process by which a non-governmental entity grants a time limited recognition to an individual after verifying that he or she has met predetermined and standardized criteria. It should again be noted that this is not a Certificate Program given as a reward for attending classes or merely performing coursework.

The IFA Account Executive Certification examination measures a candidate’s competency and skill in the Factoring profession. Those competencies and skills and the weight each should receive in the exam were determined through a rigorous process that involved the participation of about a dozen professionals nationwide, assisted by credentialing experts. Ultimately an individual who sits for this exam will receive notice that they either passed or failed the test. To pass the test an individual must be able to demonstrate that they possess, at a minimum, a basic level of competency among the subjects included in the exam.

The IFA was fortunate to have some of the most respected names in the industry volunteer to act as Subject Matter Experts (“SME”) which is a requirement in order to achieve formal accreditation. Spanning multiple sessions, many of those during a weekend, these top professionals defined what should be included in a knowledge base. This knowledge base outlined multiple subjects and categories and essentially developed a job analysis encompassing core competencies for the A/E role. Once the knowledge base was thoroughly vetted many of the SME’s were trained in how to author the items that are included in the Certification Exam. Next, the SME’s reviewed each other’s work. This was no easy task! There are certain rules that govern how a test question is presented to the person taking the exam; there are no “trick” questions. Instead, each item was painstakingly reviewed by multiple SME’s to confirm that the person sitting for the exam would be able to first make sense of the item and then be able to choose from a list of multiple responses.

Ultimately we have created a one hundred item exam that a candidate will sit for in a proctored location. This means that each individual who applies to take the test will do so at a secure location where they will not have access to the internet or other paperwork that may give them an advantage over another candidate. Each proctored location will inspect the identification of each participant prior to admitting the person to take the exam. It is expected that it could take between 1.5 and up to 3 hours to complete the exam.

There are no academic qualifications required but each candidate must have a minimum of two years of job related experience, adhere to the IFA’s code

Darla Auchinachie is a strong advocate for the factoring community and has joined the IFA as its Director of Development. Darla is dedicated to assisting factoring companies, A/R lenders and banks in all aspects of their business and can be reached at Darla@factoring.org.

Continued on page 24
With our political environment in disarray, the job of the American Factoring Association (AFA) has never been more important than it is today. We must continue educating policy makers in Washington as to the role factoring plays in a growing and vibrant economy. Through our continued partnership with Arnie Havens and Palmer Hamilton of Jones Walker, we continue to make our voice heard in Washington. As a new Congress is seated, the AFA is planning new rounds of visits to Capitol Hill. In addition, the AFA will continue discussions with regulatory agencies whose reach may extend to factoring.

The continued animosity toward business in Washington has created an environment of uncertainty and instability. The AFA continues to do everything possible to ensure our industry remains relatively regulation free. The benefits of staying regulation free cannot be understated. We already see the impact the Consumer Financial Protection Bureau is having in industries such as check cashing, debt collection and credit reporting. We may wish to bury our heads in the sand and pretend the CFPB only impacts consumers, but there is talk in Washington of expanding the definition of consumers to include small businesses. As we all know, government agencies continue to grow in scope if they are not checked.

While 2012 was a good year for the AFA, we need more factoring companies to become involved. While it may seem like the AFA has enough money, we are continually out spent in Washington by other competing factions. The AFA’s efforts last summer on proposed changes to freight broker bonding is a prime example of why we need every factoring company to participate. With a small amount of money raised from a small number of transportation factors, the AFA was able to get substantial changes made to the final bill. Had every transportation factor contributed, who knows how much more could have been accomplished. The AFA was vastly out spent in this effort, yet we were still effectual.

We understand not everyone can go to Washington, but everyone can contribute money. Thanks to those of you who have already pledged money for 2013. We can guarantee your money will be well spent. If you have not made your pledge to the AFA for 2013, now is the time to act. The well-being of our industry is at stake. Visit the AFA website today and become involved.

Founded in 2009, to provide a unified voice for the factoring industry, the AFA is dedicated to promoting and protecting the interests of the factoring community. The AFA board is made up of volunteers who devote time and their own funds to travel to Washington, D.C. on behalf of the factoring industry.
of ethics and then the candidate must receive a “passing” grade after taking the exam.

We will begin our initial roll-out of the exam in the Month of February 2013. If you or a fellow staff member is interested in sitting for the first wave of the exam, please contact Darla Auchinachie at 805-773-0011 ext 303. Candidates who sit for the exam in this initial exam sitting will be advised in about 60 days as to whether or not they pass or fail. After the initial wave candidates will be advised at the end of the session as to whether or not they passed and can be designated as a Certified Factoring Account Executive. Candidates who fail the exam will have the opportunity to sit for the exam again within a certain time frame, which has yet to be determined.

There are several reasons why a candidate may wish to become a Certified Factoring Account Executive. The first is to demonstrate that he or she has the skills necessary to be competent in their job and to prove to their employer that they have the proof of said skills by virtue of the Certification. Some employers will begin to find this as a necessary requirement from those they are looking to employ.

As to the Factoring Company or Bank who sends their staff to take the exam, they will be building a work force who has demonstrated that they have the knowledge base to contribute to their organization. Upon hearing about the IFA Certification, some companies have reported that they may not advance staff to the next level until they have successfully attained Certification. Many companies will likely sponsor their staff to take the test as a means to progressing along their career path.

For the lenders who provide funding to Factoring Companies, those lenders may have a more favorable opinion of the Factor that employs certified individuals. It would make sense that the greater the number of certified account executives then the greater the overall competency level at the business and this just might translate to stronger risk controls.

Personally and it’s not just my opinion. I think that this certification program will lift up our industry by encouraging the use of standardized best practices. The stronger our work force is in applying best practices the better off we are as an industry.

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CLE
The IFA offers CLE credits for upcoming programs. Information on approved programs and states is available at info@factoring.org or contact the IFA at 805-773-0011.
UCC Article 9 Amendments are Effective July 1, 2013
Are You Ready?

July 1, 2013 is the effective date for a body of amendments to UCC Article 9 – Secured Transactions. While the changes are intended to clarify limited issues and not make significant changes, the changes will nonetheless have a direct impact on the factoring business. Do know what the changes are and how they will impact you? Do you have new procedures in place for the change? If not, time is getting short.

Status of the Amendments

The amendments were approved by the Permanent Editorial Board of the American Law Institute and National Conference of Commissioners on Uniform State Laws in 2010 with a proposed effective date of July 1, 2013. The purpose of this timing was to allow state legislatures ample time to adopt the amendments and then have the amendments become effective on the same date in all states to facilitate uniform and easy implementation. While this goal will be largely achieved, there always seems to be a handful of states who are dilatory, requiring lenders to monitor the status in each state and making implementation more confusing and difficult.

As of January, 2013, when this article was written, 30 states and U.S. territories had adopted the amendments and bills for adoption were pending in 16 more but 9 have not introduced the bill and one introduced the bill but failed to vote on it. It is almost a certainty that the amendments will not be effective on July 1, 2013, in at least several states. Unfortunately, this makes the task more difficult for lenders.

Changes Impacting Factors

This article will address only the amendments that have the largest impact on lenders. Factors with specialized products should review the amendments in full.

DO YOU KNOW WHAT THE CHANGES ARE AND HOW THEY WILL IMPACT YOU? DO YOU HAVE NEW PROCEDURES IN PLACE FOR THE CHANGE? IF NOT, TIME IS GETTING SHORT.

1. Debtor Name on Financing Statement

The rule under the existing version of Article 9 for the name of an individual on a Financing Statement is simply that the “individual name” be used. No guidance is given on what this means but failure to get it right could result in a misleading filing and non-perfection. Examples of problems abound. A woman named Liza Jane Matthews might be known as Liz Matthews, Jane Matthews, Lizzie Matthews (or Lizzy Matthews), L. Jane Matthews or Liza J. Matthews. What if she gets married and changes her married name? What if she becomes Liza Jane Matthews-Smith? What if she uses her maiden name professionally but her married name for everything else? What about Hispanic names, Americanized spellings of foreign names, or names using letters not in the English alphabet? The possibilities go on and on with no guidance. But, depending on the search logic of a state system, having a single letter wrong could result in a misleading filing.

The 2013 amendments attempt to bring some clarity and direction to this problem but don’t help much. But don’t be quick to criticize the authors of the amendments – this may be a problem that can’t be solved. The amendments offer two options from which states can elect – “Only If” and “Safe Harbor”.

The “Only If” rule provides that if the debtor has an unexpired driver’s license issued by the state where the Financing Statement is filed, the secured party must use the name as it appears on the license. Although this sounds simple, it can become confusing. For example, a driver’s license issued by Ohio to an Illinois resident is not applicable for a filing in Illinois. If the debtor does not have a driver’s license, then the secured party must use the debtor’s surname and first personal name or the debtor’s name as provided in existing Article 9. Neither of these alternatives provide much help.

The “Safe Harbor” option provides that any of the following names are sufficient: (i) individual names under existing Article 9, (ii) surname and first personal name, or (iii) name on an unexpired driver’s license.

The amendments should have provided clarity and added certainty and simplicity to lien searches. While the amendments do succeed in nudging the process in that direction, these changes still leave numerous problems. States are free to chose between two options so there is no “uniformity”. There is no uniform format for how names appear on driver’s licenses. Some states will issue a driver’s license to a non-resident and of course many people move to another state without changing their license. Driver’s licenses expire and can be renewed under a different name, newly married women may get a new driver’s license with their married name, and people may move to a new state and get a new license with a different variation of their name. Under the “Safe Harbor” there is no uniformity because the secured party does not have to use the driver’s license name. Searches still require a lender to determine on a state by state basis whether the “Only If” or “Safe Harbor” provision has been adopted and then search under three
different possibilities under the “Safe Harbor” provision. In some cases, these paths lead back to the status quo under existing Article 9.

The amendments to Article 9 also change the rules for registered organizations, which are companies whose existence is created by filing with the government or by legislative action. Under existing Article 9, the Financing Statement must use the name of the debtor on the “public record”. “Public record” was not defined and could mean, for example, the Articles of Incorporation, Certificate of Incorporation, Certificate of Good Standing, or the name in the Federal Employer Identification Number application. The amendments create the new term “public organic record”, which is a record available for public inspection and initially filed with or issued by the State or the United States, or in any record which amends the initial record, or consists of legislation which forms the organization. The amendments also expand the definition of registered organizations to include common laws trusts, such as a Massachusetts Business Trust.

2. Perfection Rules
Timing changes have been made in the rules applicable when a debtor changes its location or there is a change in ownership of collateral. Under existing law, if a debtor changes its location to another state, the secured party has a grace period of four months to file a new Financing Statement in the new state to continuously maintain perfection. However, this continuous perfection does not apply to property acquired after the change in location and before a new filing is made in the new state. The amendments change this exception for property acquired after the move so that property acquired during the four month grace period but prior to filing a new Financing Statement will be continuously perfected upon filing of the new Financing Statement.

Existing law also provides that when property is transferred to a new debtor who becomes bound by the existing security agreement (this typically happens in a merger or acquisition) the grace period is one year rather than four months. The amendments reduce this period to four months.

3. Financing Statement Forms
The form of the Financing Statement has been modified to remove the field for social security numbers, organization type, jurisdiction and organization number, and re-labeled some fields. It also reorganizes some of the boxes and re-labels some fields to minimize mistakes. When using the new form, be aware that it may not be accepted or sufficient in states that have not adopted the amendments and existing law in that state may require information that is now omitted, such as a social security number.

The Correction Statement is now called an Information Statement and a secured party is now permitted to file this statement.

4. Other Significant Changes
Provisions for control of electronic chattel paper have been changed. The Definition of “authenticate” has been made uniform with the definition of “sign” in Articles 1 and 7. Electronic notation of liens on certificates of title has been changed. The effectiveness of non-assignment language on certain sales has also been changed.

Information provide in this article is general information only and is not legal advice. Readers are encouraged to consult an attorney for specific legal advice.
“Look – this one’s shaped like a rabbit!” Tom Linafelt exclaimed, holding up an oddly shaped carrot that did indeed look like a rabbit.

Volunteer workers in a large, warehouse-like facility looked up briefly from their work of packing carrots, potatoes, bread and other staples into sacks for distribution to chuckle at Linafelt’s unusual find.

The comically shaped carrot had been rejected from the commercial grocery supply chain mainstream and donated to Harvesters – The Community Food Network, a Kansas City-based food bank that serves more than 550 not-for-profit agencies, including emergency food pantries, soup kitchens, homeless shelters, children’s homes, homes for the mentally disabled and shelters for battered persons in 26 counties of northeastern Kansas and northwestern Missouri.

Linafelt was one of about 100 employees of Overland Park, Kan.-based QC Holdings who had volunteered to pack food at Harvesters as part of the company’s Annual Leadership Conference. A bus took managers from the host hotel to the Harvesters warehouse for an afternoon of team building and community support.

In addition to packing carrots, potatoes and breakfast cereal into containers, the group loaded bread onto trucks, packed canned and boxed household items and moved cases of bottled water.

“It’s hard work, but it’s fun and provides a real sense of accomplishment,” said Linafelt, QC’s director of corporate communications. “Helping needy families is the most important outcome, but it also gives us a chance to work and play together outside of our normal work environments. It’s a great way to get to know each other on a deeper, more personal level.”

Overseeing the bustling activity was J.D. Kinney, director of QC Capital Solutions, the company’s small-business financing unit with a growing factoring portfolio. Kinney oversees both QC’s factoring business and its community relations efforts.

For Kinney, the food bank event was a no-brainer. More than 45 percent of field leaders who responded to a recent employee survey were already engaged in local efforts to help feed the hungry in their communities. “Our community efforts are focused on families with urgent needs, so Harvesters fits our profile perfectly,” Kinney says of the food bank, which each week serves 66,000 people, over 40 percent of whom are children. In addition to the team-building events, QC hosts annual food drives for Harvesters among both employees and customers.

Harvesters is grateful for the efforts at a time when food banks are busy like never before. Harvesters’ agencies are seeing a 40 percent increase in the number of people needing help, many of whom are walking into a food pantry or soup kitchen for the first time in their lives.

“Hours spent by volunteers sorting food, assisting at special events or providing professional services translate into the work of approximately 64 full-time employees per year,” said Harvesters President and CEO Karen Haren. “QC Holdings is a strong supporter of Harvesters, and the company continues to show its commitment to our long-standing partnership through substantial volunteer efforts and generous contributions.”

Harvesters is part of Feeding America, the largest domestic hunger-relief charity in the United States. With a network of more than 200 food banks in all 50 states, Feeding America and its local affiliates like Harvesters depend on the generosity and support of volunteers to provide emergency food relief to an estimated 37 million hungry Americans each year.

Without the volunteer efforts of organizations like that of QC, Harvesters and more than 200 food banks in the Feeding America network would struggle to meet the needs of the local communities in the 50 states they serve. Local food banks value their volunteers and local food drive efforts. Volunteers of all ages sort, package and prepare donated food and household items for distribution. QC branch offices across the country have partnered with local Feeding America food banks to support local hunger relief efforts.

Sensing a trend and desiring to direct the charitable community efforts of both the company’s corporate and field staff, QC surveyed its employees about what causes and organizations the company should focus on supporting. While the company has a long history of giving back to
the communities it serves, the survey revealed which causes were near and dear to the hearts of QC employees.

As directed by employee feedback, the corporate and employee giving program focuses its community outreach on three areas: Financial education, youth development and education, and personal crisis and emergency assistance. QC employees are encouraged to identify and support non-profit and other community-based organizations that support these focus areas. The company then matches monetary donations raised by its local employees and customers.

QC’s personal crisis and emergency assistance program includes employee volunteerism and corporate giving designed to “help secure and maintain physical, nutritional and emotional safety which fosters an environment where our neighbors can thrive.” In addition to the Harvester’s volunteer event and various food drives, the program supports domestic violence shelters, the American Red Cross, The Salvation Army and others.

“QC Holdings has supported the needs of its customers and their communities for more than 25 years,” Kinney said. “We are committed to strengthening the communities where our employees and customers live and work by demonstrating good corporate citizenship.”

It made perfect sense to have Kinney lead the company’s community relations and factoring business, according to QC President and Chief Executive Officer Darrin Andersen.

“Not only does the arrangement leverage his passion and commitment, it simultaneously enables QC to build stronger relationships within the business community,” Andersen said.

“Certainly the business is benefiting greatly from working shoulder-to-shoulder with business leaders from across the region, supporting the communities where we all live and work.”

In addition to the company’s charitable giving, Kinney leads its support of local and national non-profit philanthropic groups and civic organizations, and chambers of commerce. “Kansas City is a charitable community, and all manner of business leaders from a variety of industries are engaged in these programs,” Kinney said. “It’s a great way to network and build business relationships.”

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This first issue of 2013 focuses on a look at the year ahead. This year, rather than making predictions about what the next twelve months may hold, I’m going to describe a tool your small factoring business might use to make this a better year.

It came about from a long-standing client of ours whom we enjoy very much. He has a large number of account debtors who are all public schools. Because he sells a particular product to them, he often deals with faculty, coaches, and others who are focused on doing their jobs, but sometimes are not so good at approving payment for his product they ordered. He sometimes has to contact a particular coach or staff many times before they get around to approving payment of his invoice. Thus we wait longer than we should to get paid, which of course raises the cost of his factoring and drives him crazy. But overall he is very good at collecting and his account is one of my favorites.

Not long ago he mentioned he developed a system for weeding out bad customers. Curious, we asked him about it. He said he assigns his customers a PITA score and mentioned one customer had a high PITA score, so he was dropping them. “What,” we asked, “is a PITA score?” Being the down to earth guy he is, he replied quite matter of factly, “It’s their Pain In The A** score. The bigger a pain in the a** they are, the higher their PITA score.”

How does he determine someone’s PITA score? If they don’t return phone calls, delay paying their bill for no good reason, or are generally unpleasant or difficult, their score goes up. He assigns them so many points for each pain they give him, tracks these numbers on a spreadsheet, and keeps them for review.

A couple times a year, he reviews each customer’s PITA score and when a score is above a certain threshold, he removes that school from his customer list and does not market or sell to them again. This way his receivables stay clean and his stress level, manageable. In the long run it saves him money and irritation. I like it too because he is unlikely to do business with debtors who don’t pay factored invoices as they should. That means less work and better income for both of us.

Always one to borrow someone else’s great idea, I quickly saw the application of PITA scores to my small factoring business. I reasoned, “If I could come up with a PITA Profile for my clients, I would have a reasonably objective means of knowing which of my clients are worth keeping, and which ones I should drop.”

I set about determining criteria by which to rank how much of a PITA any client is. Because I only started doing this recently, the 13 criteria described below are not finalized but have gotten us off to a good start. If a client is an utter delight, the best score we can give is 1 for a particular criterion. If they are a flaming PITA, the highest score is 100.

Each month, my staff and I score each client based on our personal contact with them, and come up with a composite score. If we haven’t had contact, we don’t give them a number. For each client, all 13 categories’ scores are averaged into a monthly score. That composite score is then tallied each month and averaged for an annual score.

At the end of the year (or whenever I choose), if someone’s score is unpleasantly high, I will probably drop them from my portfolio as they either don’t make enough income, or what we make isn’t worth the PITA a client has shown himself or herself to be.

Here are the criteria by which a client is scored:

<table>
<thead>
<tr>
<th>Score</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100</td>
</tr>
</tbody>
</table>

| 1    | Lucrative                 |
| 1    | No Income                 |
| 1    | Honest                    |
| 1    | Deceitful                 |
| 1    | Pleasant                  |
| 1    | Rude                      |
| 1    | Responsive                |
| 1    | Ignoring                  |
| 1    | Low Maintenance           |
| 1    | High Maintenance          |
| 1    | Good Customers            |
| 1    | Bad Customers             |
| 1    | Good Collector            |
| 1    | Ineffective               |
| 1    | Organized                 |
| 1    | Chaotic                   |
| 1    | Intelligent               |
| 1    | Dufus                     |
| 1    | Business Astute           |
| 1    | Business Idiot            |
| 1    | Calm, No Drama            |
| 1    | Emotional                 |
| 1    | Trusting                  |
| 1    | Accusatory                |
| 1    | Loyal, Advocate           |
| 1    | Threatening               |

Jeff Callender is President of Dash Point Financial (DashPointFinancial.com) which buys receivables of very small businesses. He has written many books and ebooks about factoring which can be obtained from DashPointPublishing.com, the IFA website’s Store, and Amazon. He is also President of FactorFox Software, a cloud-based program used by factors of all sizes to track their receivables. You can reach him at 866-432-2408 and Jeff@DashPointFinancial.com or Jeff@FactorFox.com.
One of the unexpected benefits of this system is the sense of catharsis it provides my staff. If a particular client has been a royal PITA, that staff person can score him as high as she sees fit in any particular category. It’s a means of releasing stress without the client knowing it. It also encourages staff to talk with each other about any activity that has occurred with a client, which improves communication among us and increases understanding about a client.

Several years ago I came up with a tool for ranking prospects to help determine which I should accept and which I should reject. Each prospect was given so many points for particular criteria, which (in theory) would determine how desirable a client any prospect would become. After using that tool for several months, I found the system utterly failed to predict who would be a good client and who wouldn’t. Some clients with high predictive scores were horrible, and others with low predictive scores turned into great clients. It just didn’t work so I stopped using it.

However, the difference between that system and PITA scores is that PITA scores are based on actual, first-hand experience with a client – not predictions. Thus I think it will prove far more useful. Is it scientific? Not really, as the scores are pretty subjective and right now all the criteria are weighted equally for the final score, which may need tweaking. But can it suggest which clients are worth keeping and which I should shed? Yes, I think so. It takes into account much more than just how much income a particular client earns my company.

As we begin a new year, if you choose to use it, I offer this tool for your factoring business. By all means, feel free to adapt it to your company, change the criteria, fiddle with the scoring, and improve it any way you see fit. I’ll be curious to hear how many of you use it, and if it helps your business.

Happy New Year, and may all your clients’ PITA scores be low. •

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Matter Experts who have worked on this program. Listed below in no particular order are the participants in this project (I hope I haven’t missed anyone!):

- Cole Harmonson, Far West Capital
- Marty Lewald, Crestmark Bank
- Debra Wilson, Vertex Financial
- Ken Walsleben, the Hamilton Group
- Darla Auchinachie, IFA
- Jay Atkins, First Capital
- Gen Merritt, Allied Capital Partners
- Roger Allen, LSQ
- Gail Reints, Sky Business Capital
- Jon Anselma, Paragon Funding
- Wade Hladkey, Gulf Coast Business Credit

These SME’s volunteered their time and considerable efforts towards this project. There is a good mix of traditional and non-traditional practitioners both large and smaller shops were represented as well.

Now it is up to the industry to determine how successful this program will be. I am hopeful that each company will want to send at least one person to take the exam and with those kinds of numbers we should be able to continue to develop like certification programs; adding a discipline for niche factors is one possibility.

Finally, we at the IFA are always looking at ways to bring benefit to the members in our organization, if you have any comments or ideas regarding this topic or any other, please do not hesitate to contact us. All comments are welcome!

Help us make this Certification program a success and sign yourself or a staff member up to take the exam in February of 2013. •
lien monitoring. tailored to suit factors.