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The beginning of a new year is always a busy and exciting time for our association. With our 2017 Factoring Conference on the horizon, we are working diligently to organize and execute the largest event for our industry. Due to the overwhelming success of our previous conferences, attendance is running about 10% higher than this time last year, so we expect to see a record turnout in Fort Worth in April.

We are excited to announce our schedule of classes for 2017 that aim to teach the most relevant and up to date information for every person in your organization. From beginners to the most advanced professionals, there will be sessions designed to captivate your attention and keep you on the forefront of the industry. For beginners or those looking to brush up on their factoring knowledge, we have the Account Executive/Loan Officer and the Law & Business of Factoring training courses in June. For sales and marketing professionals, we have a brand new course called Generating Business in Today’s New World, taking place in July. Our always popular Transportation Factoring Meeting will take place in Louisville, Kentucky this year at the beginning of September, and in October, we will have two advanced training sessions called the Advanced Factoring and Legal Forum and the Advanced Account Executive/Loan Officer course. Due to the overwhelming success of the Fintech course from last year, we will be having another session in late October dedicated to this popular topic with exciting new speakers and fresh information.

It’s that time again for everyone to fill out the 2017 Factoring Industry Survey Report that was sent out in January. All qualifying participants will receive a complimentary copy of the survey which provides the current trends and benchmarking data that are crucial for everyone in the factoring industry.

We are seeing a record number of members taking advantage of our online forum to discuss the various issues and concerns that affect our industry. If you are not currently using this service, I highly recommend that you visit our website and sign up to receive the email notifications. Your peer group is having informative and valuable conversations that you will not want to miss out on.

We hope to see you all in Fort Worth in April!
The International Factoring Association’s (IFA) goal is to assist the factoring community by providing information, training, purchasing power and a resource for factors. The IFA provides a way for commercial factors to get together and discuss a variety of issues and concerns about the industry. Membership is open to all banks and finance companies that perform financing through the purchase of invoices or other types of accounts receivable.

The Commercial Factor is published bi-monthly by the International Factoring Association. To subscribe, please email info@factoring.org.

The Commercial Factor magazine invites the submission of articles and news of interest to the factoring industry. For more information on submitting articles or advertisements, email news@factoring.org, or call 805-773-0011.

The views expressed in the Commercial Factor are those of the authors and do not necessarily represent the views of, and should not be attributed to, the International Factoring Association.

INDUSTRY NEWS

Wells Fargo Asset-Based Lending Head Resigns
Wells Fargo & Co’s asset-based lending head, Guy Fuchs, has decided to resign and will leave the bank March 31, according to bank spokeswoman, Trisha Schultz. His resignation came as Wells Fargo reorganized a unit he oversaw, giving him fewer supervisory responsibilities. However, Ed Blakey, his boss, said in an interview that the reorganization had nothing to do with Guy’s decision to leave. Ed, who oversees Wells Fargo Commercial Capital—a unit with $250 billion in assets—may take some time to decide on a replacement for Guy, Trisha said.

Renee Tyack of Capital-Plus, Inc. Featured in Columbus CEO Magazine
Renee Tyack of Capital-Plus, Inc. was recently featured in Columbus CEO Magazine about the company’s history of providing funding to small businesses through factoring. The Columbus Dispatch noted her company’s 25th anniversary and asked her to share about the evolution of factoring and how it helps so many small businesses. Renee was also interviewed on B2B Radio with Mr. Biz on 98.9. You can listen to the show featuring Renee and other entrepreneurs online at http://wentworthfinancialpartners.com/b2b-radio/.

TBS Factoring Service Celebrates 10,000 Clients with Launch of New Paperless Platform
TBS Factoring Service welcomed its 10,000th client and entered the new year with a faster, more efficient, paperless platform to better serve clients. Lucky number 10K was Larry McNeil, owner of Trecal Transportation, of Roswell, Ga., who was thrilled to learn he would receive $250 and free electronic transfers for a year, on top of the fast access to cash he expected.

INDUSTRY TRANSACTIONS

North Mill Capital, LLC Provides $7,500,000 Asset Based Lending Accounts Receivable and Inventory Credit Facility
North Mill Capital, LLC provided a $7,500,000 Asset Based Lending accounts receivable and inventory credit facility to Hutton Communications, Inc. in Carrollton, Texas, a distributor of commercial wireless communication parts and related equipment. The funds were utilized to pay off their existing lender and will provide additional working capital for growth.

TAB Bank Provides Technology Services Company in California with $2 Million Revolving Credit Facility
TAB Bank is pleased to announce it has provided a $2 million revolving credit facility for a technology services company located in...
California. The new facility is extended through a multi-year agreement and will provide for the company’s ongoing working capital needs. The company focuses on project implementation and consulting services. Within these two areas, they offer expertise in staff augmentation, testing services, application development, maintenance, and re-engineering.

**Utica Leaseco, LLC Completes Transaction Totaling $7,000,000 during the week of February 6, 2017**

Utica Leaseco LLC, as agent, completed the funding of a $7,000,000 Capital Lease on the equipment of a photovoltaic cell maker in California. Utica provided financing on the company’s existing equipment based solely on the collateral value. The company was able to augment its capital by leveraging the value of its equipment without the dilution of new equity or mezzanine debt.

**Gibraltar Business Capital Closes $2 Million Asset-Based Line of Credit for Custom Wood Products**

In less than 30 days, Gibraltar Business Capital closed a new $2MM asset-based line of credit for Custom Wood Products (CWP), a producer of fine custom wood cabinetry located in Roanoke, VA. Working with CWP and financial sponsor, Wafra Partners LP, an affiliate of Wafra Investment Advisory Group Inc., Gibraltar Business Capital designed a creative solution that provided greater liquidity and more flexible payment terms than their previous facility. With the influx of vital capital, CWP is now able to transition to their new business model and focus their attention once again on manufacturing high-quality custom products.

**Interstate Capital Adds 624 New Clients in 2016**

Interstate Capital Corporation, a leading factoring company since 1993, reports significant growth in origination numbers and revenue in 2016. Interstate Capital added 624 new client relationships during the 12 months ending 12/31/16, representing a 27% increase in originations over the previous year. The company’s portfolio of purchased accounts receivable (NFE) grew 25.3% year-over-year as well. The last six months proved exceptionally strong, with new clients added from across the country. Interstate Capital's small sales team of veteran business development officers broke previous year-over-year sales records for 8 of the last 12 months.

**Bibby Financial Services Provides Financing to United Plastics Group**

Bibby Financial Services (BFS) announced today it was supporting United Plastics Group (UPG), a Houston-based manufacturer of specialized plastic parts, components and complete finished goods to multiple industries, owned by Turnspire Capital Partners, with an asset-based financ-
The funding allowed New York-based Turnspire Capital Partners to support its investment in UPG and is secured by inventory, accounts receivable and other balance-sheet assets. BFS has a strong interest in supporting private equity firms by providing funding to support the acquisitions of companies, as they understand the niche needs of this group.

**Phoenix Capital Group, LLC, Announces 2016 Transactions**

Phoenix Capital Group, LLC provided working capital solutions to 195 new clients in 30 states across the country, representing $32,100,000 in approved credit facilities during 2016. Phoenix Capital Group is nationally known and has been providing tailormade financial solutions, primarily in the transportation industry for small-to-medium sized fleets, since 2001. The company maintains its’ headquarters in Scottsdale, with offices in Texas, Alabama and Tennessee. Product offerings include, but are not limited to, accounts receivable financing, equipment financing, and fuel cards.

**MidCap Provides $6.6 Million to Virginia-Based Dye Firm**

MidCap Business Credit announced that it has completed a $6.6 million asset based credit facility to Ronile, Inc. and Bacova Guild, Ltd., located in Virginia. Ronile dyes and processes a variety of yarns primarily for the carpet, rug and craft industry and Bacova designs, markets, manufactures, imports and distributes print graphic rugs and floor mats. The opportunity was sourced out of MidCap’s office in Atlanta, GA. In addition to refinancing the previous lender, the proceeds will be used to support working capital requirements.

**Sallyport Commercial Finance, LLC Announces $250,000 Factoring Facility to California-Based Company**

Sallyport Commercial Finance, LLC announced a $250,000 factoring facility to a California-based company that performs all of the work including and in relation to, the installation of playground equipment. This family owned and run business has been working with school districts and providing services in SoCal for over 25 years. The business ownership is transitioning from Father to Son, and the working capital line provided by Sallyport, will help ease cashflow during this transition and ongoing.

**Aegis Business Credit Structures and Provides $3,000,000 Credit Facility**

Aegis Business Credit structured and provided a $3,000,000 credit facility for a Southeast-based extruder of rigid PVC and vinyl components for the building products industry. The additional working capital allows this company to take advantage of new opportunities in the reinvigorated construction market, resulting in revenue and profit growth.

**Loeb Term Solutions Finances Over $6.9 Million Dollars’ Worth of Industrial Equipment in December, Providing Solutions to 4 More Manufacturers**

Loeb Term Solutions, closed out the year by financing another $6,900,000 dollars’ worth of industrial machinery and equipment in December. The financing supports a precision die casting company, a metal fabrication facility, an aluminum extrusion facility, and a heavy construction company, helping to expand their businesses in order to meet the demands of their respective industries.

**PERSONNEL**

**Triumph Business Capital Appoints Robert P. Gole Vice President, Business Development Officer**

Robert will pursue both general and transportation opportunities, ranging from factoring to equipment financing, from his office in Atlanta, GA. Prior to joining Triumph Business Capital, Rob has worked with several industry leaders in the Southeast. Most recently, he led the opening of TAB Bank’s Atlanta office, where he was responsible for closing more than $100 million in aggregate credit facilities. Throughout his three decade’s worth of industry leadership and experience, he has specialized in working with non-traditional banks and finance companies and brings a diversified network of companies and referral sources.

**Interstate Capital Hires Business Systems Analyst**

Fabiola Peralta will fill the newly created position of business systems analyst. Fabiola comes to Interstate Capital with an extensive background in programming, database design, information management, documentation, and IT engineering. She most recently worked at the Hewlett Packard El Paso Solution Center and holds a bachelor’s degree in Computer Science from the University of Texas at El Paso. With her insights into system integration and her technical expertise, she has already become a key in-house resource for the company.

**Jason Mazzola Joins Crestmark’s Field Exam Team; Dawn Anzack Joins Crestmark’s Growing Los Angeles Office as Vice President, Account Executive**

Crestmark hired Jason Mazzola as assistant vice president, senior field examiner. Based in Troy, Jason will handle exams across the country. He reports to Senior Vice President, Field Exam Manager Andrew Swanson. Jason joins Crestmark with extensive experience in auditing and field examinations.

**Pat Haney, West Division president, announced the addition of Dawn Anzack to Crestmark’s team in Los Angeles, California. Dawn is vice president, account executive for the West Division; and reports to Julie Halbert, first vice president, West Division portfolio manager. She comes to Crestmark with extensive experience in auditing and field examinations.**

**Linda Onestinghel Joins Summit Financial Resources as Vice President, Business Development, West Coast**

Summit Financial Resources is pleased to announce that Linda Onestinghel

*Continued on page 29*
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The IFA offers CLE credits for the Factoring Conference. Information on approved states is available at info@factoring.org or contact the IFA at 805-773-0011.

This conference has been approved for CAEF credits. For information on approved programs and courses, please contact the IFA.
Q. In layman’s terms, can you describe what Blockchain is and how it works?

A Blockchain is essentially a decentralized digital database that relies on mathematics to ensure security and integrity of information. It works by maintaining a list of records called “blocks,” each of which is time-stamped and connected to the block before it, creating a vast chain of all data on the Blockchain. All the data stored on a Blockchain is decentralized, meaning it is not stored on one particular computer; rather, the information is distributed across all computers on the Blockchain network, making a hack nearly impossible.

Q. What is bitcoin? How does it relate to Blockchain?

Blockchain is the general term used to describe a distributed database that uses cryptography to
validate data, but there are different Blockchains that can have varying levels of openness. The Bitcoin Blockchain, for example, is the public Blockchain—anyone in the world can access it, and the information on it is stored across hundreds of thousands of computers worldwide. It’s incredibly secure because hacking that many computers at the same time is basically impossible.

The Bitcoin Blockchain is the Blockchain on which the digital token bitcoin is transferred from person to person. You can attach money to that digital token but it can be any asset—in the palm of your hand. Whenever a bitcoin is sent from one person to another, this transaction is validated and added as a block onto the Bitcoin Blockchain, meaning there is now a permanent and immutable record of that transaction.

Q. Who controls these items? Can fraud or theft come into play?

Blockchain is actually very secure and is designed to prevent fraud and theft—trust is quite literally built into the system. Two of the core components of Blockchain—decentralization and immutability—prevent things like fraud from happening. Decentralization means there is no central point of attack, so it would be very difficult for hackers to gain control over the system. Immutability means the Blockchain is fixed and unchangeable—every block is linked to the one before it, so any tampering with an individual transaction would require also changing every block that it’s linked to, and this would immediately be visible to everyone on the system.

Q. How will Blockchain affect the transfer of money? Please describe for both domestic and international transaction.

Our current systems make it hard to transfer money internationally, given exchange rates and dealing with banks. Blockchain could make this process much easier and more efficient by allowing people to transfer money directly to one another using a universal currency. For both domestic and international payments, Blockchain could allow for instant transactions and could drastically reduce the transfer fees that come from banks. Or put another way, it offers a path to participate in the global economy for millions upon millions who, up until now, have been left on the margins.

Q. How do you see this affecting the need for letters of credit?

Blockchain technology could streamline and simplify business processes involved in supply chain management, including letters of credit. At the very least, Blockchain could create a unified environment for document creation and exchange between parties involved in letters of credit (applicant, beneficiary, issuing and nominated banks) and guarantee document authenticity with the help of cryptography. This could be useful for both involved parties, as it could minimize counterparty risk, unify business processes and speed up document processing. Blockchain could also be beneficial to third parties by providing a more transparent environment for tax accounting and audits.

In the more distant future, Blockchain could largely disintermediate supply chain management, making letters of credit largely optional, as the applicant could guarantee his credibility to the beneficiary using data on the Blockchain. On the other hand, letter of credit could present a good target for automation with the help of smart contacts, computer protocols that automatically enforce agreements.

Q. What other uses do you see for blockchain technology?

Blockchain has exciting and transformative applications far, far beyond digital currencies or money transfer. Any industry that would benefit from a secure and immutable database would benefit from Blockchain. To name a few, it could be used as a land registry to keep track of property ownership; it could be used to store a record of your identity, so no matter where in the world you are, you have proof of identity; it can improve supply chain, so any company or organization that sends goods around the world can keep track of where that good is. I think one of Blockchain’s most promising potential uses is secure electronic voting, which could, one day, allow voters to cast their votes from home via a phone or computer.

Q. How do you see Blockchain affecting the factoring industry?

As with letters of credit, factoring presents a great opportunity for smart contracts; they could allow us to enforce factoring operations on the Blockchain and bring down associated risks. Factors could also use Blockchain data to assess counterparty risk more accurately and adjust factoring terms correspondingly (e.g., based on the past history of deals of the seller and/or buyer). Compared to alternatives, Blockchain provides authenticity of all recorded documents and greater openness/flexibility for smart
international payments. Compared to traditional international payment methods, Blockchain payments are cleared substantially faster and expose parties to less risk.

In the future, factoring—like other financial services—could become much more tech-centric. I think factors could benefit from building a comprehensive tech strategy with Blockchain as one of its main aspects. This strategy could include participating in inter-industry technological groups in order to develop common standards and increase interoperability among participants and with third parties. Factors should also begin developing tech-centered pilot projects to begin exploring new areas. •

Q. How can factors make use of this technology now? What should they be doing to prepare for the future?

For now, factors could use Blockchain as an efficient conduit for contract execution. Blockchain could allow factors to expand their operations to new markets and to make factoring more affordable for companies.

Jamie Smith is the Chief Communications Officer & Chief Marketing Officer for the Bitfury Group. Jamie is leading global initiatives designed to fundamentally change the way the global community does business, transfers value, and opens up new doors to prosperity for billions of people throughout the world. She has dedicated her career to making lives better, enhancing security, and ensuring opportunity is available to all. Jamie brings nearly two decades of communications experience, serving at the highest levels of government and the private sector, to the financial technology arena. She previously served as Special Assistant to President Obama and deputy White House press secretary, Executive Vice President at Edelman Public Relations, Director of Public Affairs for the Office of the Director of National Intelligence (ODNI) and General James Clapper, Communications Director for the Senate Select Committee on Intelligence and the Senate Committee on Commerce, Science and Transportation under its then Chairman John D (Jay) Rockefeller IV, Traveling Press Director for Secretary Hillary Clinton’s 2008 Presidential Campaign, Communications Director for former Secretary of State Madeleine K. Albright and The Albright Group, LLC. and policy aide to Congresswoman Nita M. Lowey (D-NY).

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Financing Opportunities in the Buy-Now-Click-Now World

Factoring has traditionally been strongly linked to businesses which sell inventory to retail stores, who then sell the product to consumer end users. Initially, the typical factor client in this model made its product in the US. This model then shifted to factor clients that contracted to make their products outside the US. But, until fairly recently, whether or not the product was made domestically or abroad, the factor client’s financing model has been centered around the fact that it would eventually sell its inventory to brick and mortar stores, and these sales would blossom into good accounts for the factor to purchase. This model has drastically changed, mainly because of two reasons. First, there is, and will likely continue to be, a significant contraction in the retail store segment. Second, many of the sales are being done directly to the end users, bypassing the stores. This consumer pattern is often referred to as buy-now-click-now. The result of this “old line” market shrinkage is that there are more factors chasing fewer traditional deals. This article will present an overview on the financing opportunities in the buy-now-click-now world and discuss basic structuring principles for such deals.

While the traditional model of financing accounts to retail stores has softened, the business opportunities to finance consumer products are strong. However, the business model has changed, and those who want to finance those customers must change and adapt to the market. Here is an example of a potential client in this market segment. A new young designer who owns “Hotco” has just hit on the latest wave of denim fashion. Actors, athletes, models, and reality stars are being spotted wearing these designer jeans. Hotco has developed a strong social media campaign to promote its product. The millennials, who are the main advertising target, must have the product now. The buyers, many of whom find it convenient to bypass the mall, purchase the product online, either directly from Hotco or through a third party platform such as Amazon or a department store website. With these sales, payment to Hotco is done through third party payment vendors such as Amazon, Stripe, PayPal and credit cards. Hotco has lots of orders to fill, materials to buy, and needs to ramp up its operations to meet the demand for its product. But as this is a new company, with no history, its principal has student loan debt, big credit card advances which were used to start the business, and friends and family loans to repay. Hotco is not bankable and may not think of traditional factoring because factors shy away from consumer sales. Hotco’s principal is aware of the plethora of merchant cash advance loans out there, but does not want to sacrifice the company to insane interest rates. Hotco’s opportunities lie with inventory financing, trade financing, factoring/AR financing, or a “modified ACH Loan”.

Hotco is a good candidate for a revolving inventory loan. It would be structured as a borrowing base, with the advance typically being around 50% of the orderly liquidation value of the eligible inventory. Hotco will need to prepare borrowing base certificates, usually done weekly
or monthly. Since the loan is based upon the eligible inventory, it is important to understand where the inventory is kept. Often the inventory is held in a fulfillment warehouse, where the borrower pays rent for storage and pays the fulfillment warehouse to send out the product to complete orders. Thus, the lender needs to have an agreement in place with the fulfillment warehouse. The fulfillment warehouse typically has lien rights to the inventory it is storing. The key issue for any lender in an agreement with the warehouse is to be given access to the goods provided that storage fees are paid or brought current. The lender will also want to be notified of any default with the warehouse and be allowed access to the collateral to complete a foreclosure sale, although some warehouse people do not want an actual public sale at their place. In addition, the lender will need a landlord waiver if the inventory or the records are kept at Hotco's place of business, and will want to enter into a deposit account control agreement with the borrower’s bank to perfect its lien against the money in the deposit accounts. Since an inventory loan is only at a percentage of inventory value, the borrower will likely need other forms of financing tied into its sales.

An alternative form of financing for Hotco to allow it to purchase inventory, will be trade financing. Many factors now offer this as an add-on to factoring services. This type of financing is broad and flexible, and typically covers advances on eligible purchase orders, issuing trade guaranties to critical vendors of the borrower, arranging for standby letters of credit to allow the borrower to purchase goods, and in some instances, purchasing inventory on behalf of the buyer. When factors first engaged in this type of financing, it was an add-on piece and was done as an accommodation in order to help the factor client to purchase inventory. But, with a reduced base of traditional retail sale outlets to finance accounts, this type of financing will be in more demand. The exit for this type of financing has traditionally, and still is, predicated on being taken out when the actual inventory has been sold to an account debtor and is now a real account. This repayment strategy still works for Hotco, with retail accounts being assigned to you and with control over the consumer sale third party payors. Trade financing works best when there is a factoring or AR facility in place because the advance rate is typically a smaller fraction of the eligible purchase order or a percentage of the inventory. When arranging for trade guaranties, or standby letters of credit, special attention must be given to the factor client/borrower’s trade payables in order to monitor payment. Also, one should always be aware of the letters of credit and/or trade guaranties in the actual credit limit, because although money may not be out there on the letter of credit/trade guaranty pieces, an unpaid bill can quickly turn into a big bump in the outstanding loan. The lender may also consider making its own form of a direct advance to the borrower and things can be learned from the merchant cash advance loans in this regard. Setting aside the unscrupulous players in the merchant cash advance world, a viable business lending product has emerged from this market. There are many instances when the borrower is not bankable, but does not fit into the old-line traditional factoring model. An advance can be structured, even on a revolving basis, which can be underwritten to the borrower’s needs and situation. The loan structure would, of course, be secured by all assets. The advance would be the agreed upon amount. The advance rate and interest/financing fee can, and should be, similar to a factoring or AR line rate. The repayment would be through regular debits against the borrower’s deposit account at set times and stated amounts, with control and redirection over retail sale accounts and the third party payors. For folks who do not feel comfortable venturing into the world of calling themselves lenders, the transaction can be structured as a bulk sale of accounts and payment intangibles. The lender should also have a complete handle on the borrower’s streams of payments, which in addition to some standard business account debtors, will include payment processing players such as PayPal and Stripe, online store and payment platforms such as Amazon, and traditional processors like Visa and MasterCard. The key is for all funds, whether from retail sales

Since the loan is based upon the eligible inventory, it is important to understand where the inventory is kept. Often the inventory is held in a fulfillment warehouse... Thus, the lender needs to have an agreement in place with the fulfillment warehouse.
or consumer sales, to flow to the lender’s lock box account.

Hotco will still have a large accounts receivable base, although it’s different. A typical buy-now-click-now client will have two sets of sales avenues. The traditional retail store network is still in play and these account debtors don’t need any special explanation. They are handled like any other factoring and AR financing deal and advances can always be made against retail sales. However, there is a big base of accounts out there where there are no typical brick and mortar stores and the sales are directly to the end user. These sales are handled through third parties, like Amazon, Stripe, PayPal and Visa. The sales are typically paid fast and settled on a regular basis with the third party. There may be AR financing opportunities depending on the time frame between an order and payment but the customer sales should be considered more as a source of repayment on the other advances with all payments coming to the lender. If no advances are made against consumer sales, you still must take control over all their payments because they still form the basis of your repayment. One area of the law that has not been tested with these third party payment processors is the actual notification rules which factors rely upon to receive payment from the account debtors. Currently, I am not aware of any factor or ABL lender who has secured a notice of assignment with the third party payment vendors, although in theory this can be done. The obligation of the third party payment processor to pay the factor client/borrower is either an account because it constitutes the proceeds of the sale of goods, and if it is not an account, it may be considered a payment intangible. A payment intangible is a general intangible where the primary obligation of the other party is to pay money. The account debtor redirection rules under Article 9 allow for redirection of accounts and payment intangibles. Here, the third party payment processor is collecting the payments for a fee with an obligation to remit and pay the factor client/borrower which is likely considered a payment intangible if it is not an account. Since this area has not been tested, and assignments have not yet worked with the third party payment processor, one will need to ensure that all money goes to the designated bank account, usually a lockbox setup for the factor/lender. After control over the flow of funds is established, you should send a redirection letter to the third party payment processor. It is my opinion that the third party payment processors should be bound by a notice of assignment, but nobody wants to be the test case. When consumer sales are part of your client’s repayment stream, it is important to have full access to your borrower’s online dashboard with the third party payor, so the account can be properly verified.

This is not meant to be a comprehensive article on this alternative form of financing, but is merely an overview of the multiple possibilities. The lender will need to set up underwriting guidelines which will account for consumer return/dilution rates on direct to consumer sales, advance rates for each type of advance, time for repayment, and things of the like. In addition, since this business takes you away from purchasing accounts, one must be aware of usury laws. While the old school method of consumer product factoring has contracted, the financing opportunities have increased. There are more start-ups who produce innovative products which will be in high demand. Distribution channels to consumers have improved. Therefore, there are plenty of opportunities to finance good consumer product sellers, who don’t qualify for traditional bank lending. However, the methods of financing this business segment have changed and the time to adapt is now.

Steven N. Kurtz, Esq. has represented factors, banks, and asset based lenders on a continuous basis since 1987, and he is the Co-general Counsel to the IFA. A founding partner of Levinson Arshonsky & Kurtz, with offices in California and Oklahoma, he practices in the areas of commercial law, insolvency, workouts, loan documentation and trade finance, in both transactions and litigation matters. He can be reached by phone at 818-382-3434 or by email at skurtz@laklawyers.com.
Niche Factoring: Debtor Credit in Transportation Factoring

Transportation Factoring is viewed by most as a niche factoring discipline, requiring distinct knowledge and specialization. Why? One of the biggest reasons relates to the Debtor Credit management process, and in particular, the third-party freight intermediaries. These “freight brokers” are the largest and most necessary account debtor group and the one that will produce the most headaches and losses when you factor in this space.

By Jammye Reeves

There are approximately 19,000 freight broker numbers issued and active with the Federal Motor Carrier Safety Association (the “FMCSA”), although only about 10,000 are utilized by the for-hire trucking industry. It is said that 40% of all freight movement is done using a third-party intermediary. Whether your factoring Client is one truck or 200 trucks, it is not likely they will be able to book all their loads directly with shippers, but will contract all their loads, or maybe just backhauls, directly with freight brokers.

A freight broker is required by the FMCSA to carry a $75,000 Bond, which they can often set-up for less than $5,000. After that, all that is needed is a phone, computer, and a contract with an internet load board. Many small brokers can operate from their home or small office with one or two people handling the selling and dispatch. There can be little investment or capital required. In theory, the broker is supposed to collect from the shipper, segregate the proceeds from other funds and pay the carrier after subtracting its commission, which ranges from 15-18% (but can be much less and is rarely a little higher). In reality, most brokers act as a principal in the transaction, treating freight invoicing as gross revenue, and carrier payment obligations as general accounts payable. A freight broker doing $50K each month only has about $7,500 to pay expenses such as payroll, rent, phone, etc. The pressure and the opportunity to use “more than their share” of the $50K passing through their bank accounts is intense.

Thankfully, both transportation factors and trucking companies report their credit experience to mercantile credit agencies. However, not all credit agencies have reliable and/or current data. Some have data based upon references, while others base reported data from receiving monthly agings that are hopefully unedited actual results. When granting credit to a freight broker, timely data is critical. A freight broker can be impacted by the change of payment terms or bankruptcy of its shipper clients, resulting in the holding or cessation of payments to carriers, and therefore factors. While this would be understandable in a “pay when paid” environment, the inclination to use carrier pay money to satisfy their own overhead expenses goes up, leading to an insolvent or out of balance position. And the likelihood that they will share financial statements is generally slim to none.

So what’s important in deciding credit limits for freight intermediaries? It starts with time in business. There are as many new brokers starting business each month as there are failures, with the numbers that are active generally remaining the same. Within these startups are those with little to no capital – and those created with the intent to fraudulently make money by not paying carriers/factors. It is best practice to wait at least one year in business before granting credit, unless you can verify that the new brokerage is an
offshoot of a solidly-capitalized trucking company or manufacturer. In some cases, the new broker will announce it has aligned with a factor that will be paying its carriers. This sounds like a fairly sure bet, but be careful; if the factoring company doesn’t fund 100% of their invoices or account debtors, you could be left waiting for payments from the new broker that will be slow to come.

Plus, every year, we see factoring companies that get in trouble factoring a freight broker and decide that carrier payment liabilities are just unsecured trade payables. They then use the carrier payment money to cover their shortfalls.

Credit agency reports should provide both the average dollars outstanding and number of providers, along with their credit score. The number of providers is a critical element to judging the data reported. In general factoring, we see firms with a few key suppliers and many that don’t report. In transportation factoring, the freight broker should be using many trucking companies and their factors, so a limited number of reporting providers is a red flag. The average dollars outstanding should give you some understanding of the volume a freight broker is handling, and help to guide the limit you can establish. Very few small volume brokers can generate enough margin to survive, so it is important to limit your risk.

Credit scores are mostly determined by “days –to –pay” or days beyond terms. In the freight broker world, most payment terms are net 30 days from receiving the invoice. Large freight brokers may pay at 30 days from invoice date, but others need time to invoice their shipper. As such, a carrier that lets its factor do the invoicing may add 3-5 days to the cycle. Freight brokers hold payment when carrier paperwork is illegible; a frequent occurrence these days when a trucker takes a picture of a bill of lading with a cell phone vs. sending in an original document. Finally, there is the issue of freight claims. The freight broker will often hold payment until it either knows the trucker’s insurance will cover the damages, or even until the claim is completely resolved. All of the above items will affect the scoring when comparing freight brokers. It is an art to sort through the data on days-to-pay to determine the timing and likelihood of payment.

The best data for judging freight brokers is your own data. When trend of days-to-pay begins to lengthen, you can determine whether the factor or its clients had delays due to invoice presentation or claims. Dramatic changes in
payment trends always precede a failure, but they don’t automatically predict a failure. Extended terms in certain industries such as metals or energy will most certainly be reflected in the freight broker’s payment trends. In such instances, it is time to rely on collection efforts to determine if the broker is delaying payment due to lack of working capital. Just know that when a broker becomes out of balance with funds due to carriers, it is difficult to get back into balance without a capital injection.

Transportation factoring can be less complex than other factoring, as you are buying invoices for completed services with little dilution. However, the account debtor base that is loaded with freight brokers tends to prohibit entry to those not familiar or willing to understand this segment. Tracking the viability of several thousand freight brokers is one of the largest reasons that transportation factoring is its own niche industry.

Jammye Reeves is Vice President of Credit & Collections at Triumph Business Capital. She has 15 years of experience in credit and collections. Having been with Triumph Business Capital since 2006, she’s now responsible for all debtor credit adjudication, including management of company’s online credit portals. Jammye is a member and a group leader of the National Association of Credit Management and Transportation Revenue Management Group. Her motivation comes from watching companies grow with a positive credit direction: “I am fully committed to providing our clients with the best industry credit information possible.” Jammye can be reached by phone at 214-513-9627 or by email at jreeves@triumphbcap.com.

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Communication 1 and Communication 2: Practical Collection Advice for Factors

As a group of collection lawyers who specialize in helping factors collect past due amounts, our firm is always working with factors to help them eliminate or reduce collection problems. Along these lines, we work with factors to institute best practices in terms of internal collection efforts. We work with factors to put in place proper credit policies and proper collection policies. If implemented properly these efforts almost always reduce a factor’s past due amounts and help collect what is outstanding in a more expeditious manner.

Notwithstanding the above approach to collections, I have always advocated a pragmatic approach to collecting past due factor accounts receivables. It is with this approach in mind that we put forth our pragmatic approach to reducing the need for third party collection firms. The idea is: why not put in place some practical solutions that help prevent the need to tax internal collection teams or the need to engage external third party collection firms?

THE FACTORING MODEL

Before spending the last nine years or so on the collection side as a collection lawyer, I was involved in the operations, sales and marketing side of several nationally-based factors. When I first learned about the nature of factoring, I was amazed at what seemed like a closed loop, low risk lending model. A factor lends money to a client, not based on the creditworthiness of the client or the client’s principals, but based on the creditworthiness of invoices of the customers of the client. A factor analyzes the receivables from its client by making sure the receivables are legitimate, by making sure the receivables are from creditworthy companies, by verifying the receivables, sometimes in writing and sometimes verbally, and by notifying the customer of the client (“the account debtor”) that payments need to go to the factor in accordance with the relevant provisions of the Uniform Commercial Code. This last piece to the factoring puzzle is significant as it creates a legal obligation on the part of account debtors to pay the factor directly or suffer consequences if the notice is not adhered to. Wow!!! What a model. Seems like the factor is pretty much guaranteed to get paid. What could possibly go wrong? Well, as we all know, a lot can go wrong. Below are two practical suggestions any factor can
How many clients truly understand the transaction they entered with a factor? How many clients have been given information about the factoring transaction that was actually received, processed, and understood by the client?

implement tomorrow to reduce the likelihood of bad debt and past due amounts. I call these two pieces of practical advice Communication 1 and Communication 2.

COMMUNICATION 1

First of all, what is communication? According to the Merriam-Webster dictionary, communication is a process by which information is exchanged between individuals. Communication is, in essence, an "exchange of information". In its simplest form, communication takes place when one individual gives information to another individual and the other individual receives the information.

In a factoring transaction, information is provided by the factor to the client in the form of documents, agreements forms, and procedures. The question is (and this goes to the root of what Communication 1 is all about): how many clients truly understand the transaction they entered with a factor? How many clients have been given information about the factoring transaction that was actually received, processed, and understood by the client? Well, I have not done a formal survey but I bet very few clients actually understand the information they received with respect to the underlying factoring documents they executed. I am pretty sure 100% of the clients understand they get cash when they submit invoices that are approved for funding. But how many clients really understand how that money gets paid back and what happens if it is not paid back properly?

So my first practical piece of collection advice is Communication 1. This means actually communicating with your clients to make sure they understand the nuances of the agreements executed. There are many ways to communicate this information. I suggest using that old fashioned kind of communication called talking. After all agreements have been executed and the first funding is about to take place, I suggest the account person for the client call the client and talk through in detail the following aspects of the factor/client agreements.

CoMMuNICA TIOn 1

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So my first practical piece of collection advice is Communication 1. This means actually communicating with your clients to make sure they understand the nuances of the agreements executed. There are many ways to communicate this information. I suggest using that old fashioned kind of communication called talking. After all agreements have been executed and the first funding is about to take place, I suggest the account person for the client call the client and talk through in detail the following aspects of the factor/client agreements.
• Who owns the receivables?
• What is the impact of a notice of assignment sent to an account debtor?
• What happens under the UCC if an account debtor does not adhere to the notice of assignment?
• What is a payment over notice?
• What is the impact of a payment over notice?

Having the above detailed conversation with a client may take 30 minutes tops but it could help the factor avoid costly and lengthy collection headaches down the road because the essence of the factoring transaction documents have been properly communicated to the client and the client actually understands what they signed.

COMMUNICATION 2

So the client has sent all background information to a factor, the client has been properly underwritten, the client has executed all necessary documents for the transaction, the client has submitted a schedule of invoices to be funded, a notice of assignment has gone out to the account debtor, the client’s invoices have been funded and now invoices are past due so the factor calls the account debtor’s accounts payable department to find out when payment will be sent to the factor as indicated on the notice of assignment and also on the legend attached to each invoice.

How many times has the conversation with factor and account debtor accounts payable department gone like this?

“Hi accounts payable, this is factor. I am calling to find out when invoice ABC119 will be paid for vendor ABC as the invoice is 10 days past due and I understand you normally pay your invoices on time.” The accounts payable person says “Hold on…Let me check on that invoice”… Thirty seconds later the accounts payable person gets back on the phone and says.. “Oh, invoice ABC119, that invoice was paid last week…we got a call from the President of ABC and he told us to just send the check to him… So we did…” The account person at the factor then says “Well we sent you a notice of assignment and per the notice of assignment you were supposed to send the checks to us.” The accounts payable person then says “Yeah, we got that, but the President told us to ignore that and just pay him.” The account person then says “Well, since you violated the notice, you will now have to pay us twice. To which the account payable person says “Oh, that makes no sense.” and then says

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“Well, you will have to take that up with the President of the company.”

When the factor account executive gets off the phone, they talk to their superior who then calls the President of the account debtor. The Supervisor tries to explain the impact of the notice of assignment to the President. But the President does not want to hear what the supervisor has to say and ends the call with the following: “Well, if you think I am paying that invoice twice, you are crazy, so this conversation is over.”

How many factors have heard the above conversation before? Why?

The law is clear; just look at UCC 9-406(a) which states: “an account debtor...may discharge its obligation by paying the assignor until, but not after, the account debtor receives a notification, authenticated by the assignor or the assignee, that the amount due or to become due has been assigned and that payment is to be made to the assignee. After receipt of the notification, the account debtor may discharge its obligation by paying the assignee and may not discharge the obligation by paying the assignor.”

UCC 9-406 could not be clearer. After receipt of a notice of assignment, the account debtor must pay the factor, and if the account debtor pays anyone other than the factor, they must pay the factor again.

The answer is no. They do not understand. They do not know what the UCC is, let alone what UCC 9-406 says and what the implications are of violating it; and most importantly, even though the language in the notice of assignment is as clear as could be, do you really think the essence of the notice of assignment is really understood by the payables clerk working for the account debtor? The answer is no. None of these things are understood. So what do you do? The answer is simple. You communicate. Before funding an invoice you must communicate directly and clearly with account debtors and get them to understand the impact on them of the notice of assignment. How do you do this?

You call them and explain in simple language what the notice of assignment is and what happens when it is violated. You communicate with the appropriate person at the account debtor, and by communicate, I mean you make sure the person you are talking to understands what is being said and is not just listening.

CONCLUSION

So there are an assortment of things you can do as a factor to reduce past due amounts and collection problems. You put in place best practices for internal and external collection activities, but as we all know, even with all that in place, things can happen. Sometimes, the closed loop factoring model is not so closed loop. Fraud is obviously one aspect that creates havoc for the closed loop system; and in my opinion, poor communication is a second aspect to that can wreak havoc on the closed loop system. This last one, poor communication can be controlled, and my best advice is make sure your factoring company implements real communication, communication in general, but also specifically by making sure clients understand the essence of the factoring documents and by making sure account debtors really understand the impact of notices of assignment. I believe when people and entities understand the consequences of their actions, they are less likely to take actions that may, in the end, adversely affect them. So, to improve internal collections and avoid having to use third party collection firms, focus on real communication with clients and account debtors.

Brad R. Magill, Esq. is a commercial collections expert and attorney who helps software, technology, financial services, and other B2B organizations accelerate payments and reduce delinquent accounts using new approaches to combating old avoidance techniques. Brad is the managing lawyer for The Collection Law Group (www.tclginc.com). He can be reached by phone at 888-304-4347 or by email at brmagm@tdginc.com.
Beyond the Credit Report

No doubt, with shifting market conditions, a new US administration, challenges from countless market disruptors such as financial technology lenders (Fintech) and crowdfunding, the factoring community is in for a white-knuckle rollercoaster ride in 2017 and beyond. Some will passively shut their eyes, hope for the best, and risk their very survival, while others will actively anticipate the inevitable ups and downs. Whichever your strategy, you can count on this: In these fast-changing times, those who buckle up and manage the ride will not only survive but lead the competition.

BY KATHLEEN DASAL
Many already are proactive. Once dismissed as a lender of last resort, the factoring industry has been adopting new software, predictive intelligence, and other digital platforms to save time and scale their businesses. Banks, independent lending companies, and even mom-and-pop Factors across a variety of sectors are bringing flexible new technology into the financial space and outperforming many of their traditional counterparts. They’ve also been increasingly turning to advanced business credit reporting solutions to help with risk decisions and improve their bottom lines.

**GOING THREE-DIMENSIONAL**

Historically, Factors and ABL lenders manually pulled expensive credit reports, or spent countless hours phoning and faxing debtor-provided references—only to end up with incomplete insight on payment experience. They relied on these reports to make credit decisions for three reasons: 1) vet a new client or debtor with whom they had no experience; 2) update their records for existing clients/debtors exhibiting negative payment trends; or 3) increase an existing client/debtor credit limit.

There was one big problem with this traditional scenario: It typically covered a mere 10 percent of a creditor’s portfolio. To help get around this and other challenges, some Factors began forming peer social networks to exchange first-hand payment experiences and broaden their analysis. Today, credit managers with common customers share challenges in risk management, cash-flow optimization and other areas. However, exclusively relying on the sharing of experiences within one industry has proven risky. This is because a one-dimensional strategy lacks key analytics on payment trends in other industries. These isolated strategies also fail to detect fraudulent activity even within a single industry.

Exclusively relying on the sharing of experiences within one industry has proven risky. This is because a one-dimensional strategy lacks key analytics on payment trends in other industries. These isolated strategies also fail to detect fraudulent activity even within a single industry.

**ACTING ON INTELLIGENCE**

Today, Factors that excel in taking full advantage of customer opportunities are those whose payment experience analytics are at the forefront of the digital revolution. At the heart of these analytics is the automated capability to uncover previously hidden data and monitor creditor portfolios for key histories, trends, metrics, and other useful business credit information. This can be done at every level, from the micro, single-user customer experience to macro, company- and industry-wide aggregates to even cross-industry comparisons.

Factors pull credit reports because they want to know how a debtor pays their bills. The information obtained to accomplish this and the actionable intelligence associated with it are what Factors should be demanding from their credit source: The multiple views into the 90 percent of the portfolio that traditionally has been overlooked. Some of the intelligence tools now available to Factors include:

- Trended data tailored to show up to 24 months of customer trade behavior. At any time, Factors can
view the prior two years of past balances, as well as scheduled and completed payments. This historical view of credit behavior patterns allows users to identify problems and predict future behavior.

• Average balances and days-to-pay compared against all companies and industries reporting, including against other Factors. This includes the ability to highlight notable trends as they emerge, which allows users to predict—rather than react to—potential credit issues.

• A flexible, real-time database reporting system to select credit score, anticipatory risk score, days-to-pay, and other data points for internal reporting or as a service to customers needing to monitor their accounts.

• Automated access to invoice status and payment experience on a wide variety of creditor and pay-agent portals and APIs.

• Integrated accounting and collection software such as 3i Infotech, FactorView, or Cadence, as well as the opportunity to custom-integrate with internal systems.

• Branded platforms for common tasks such as credit application processing so that Factors don’t have to reinvent the wheel in-house to offer these customer services.

• A customizable, real-time alerting system for receiving email warnings about negative payment trends, which can save users from costly write-offs. These systems can prompt Factors to revise their collection strategy, reduce debtors’ credit limit, or place them on a watch list to gauge their creditworthiness. User-contributed data can be shared with other users who can select which alerts to view and who receives them. Dozens of alert fields and types also can be configured to the needs of different departments.

• Online portals for Factor clients to check debtor credits.

Because they are among the most labor-intensive of any lending operation, Factors also have been turning to credit report providers for their portfolio monitoring capabilities. It is now possible to guard against bad credit risk by performing trend analyses on entire portfolios—via monthly, weekly, or even daily data contribution. Flexible configuration and sorting options allow Factors to prioritize and target proactive collection efforts. While credit managers will always have a need for the traditional credit report, they increasingly are discovering that automated analysis of their entire portfolio allows them to scour all existing accounts for adverse trends, high concentrations of credit risk, and incubating Ponzi schemes.

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As we suggested in our last update, the new makeup of the Senate Banking Committee may lend itself to some bipartisan reforms to the current Dodd-Frank regulatory framework. To date, it remains too early to make any predictions as to what legislation may emerge from the Senate.

However, in the House of Representatives, Jeb Hensarling (R-TX), the Chairman of the House Financial Services Committee, is expected shortly to reintroduce the CHOICE Act. Chairman Hensarling sponsored a similar bill which passed the House Financial Services Committee this past summer. He is expected to hold a hearing and a markup of the legislation in March. The bill could be on the floor of the House for a vote during the second quarter.

As always, the AFA will be there to monitor the process to ensure that any issues pertaining to our industry are addressed. If you would like to read more about the CHOICE Act that passed last summer, you can read the bill and a summary at http://www.financialservices.house.gov/choice/. This site should have the new bill on it when it is introduced.

Regarding the Consumer Financial Protection Bureau (CFPB), a major item worth noting is the CFPB’s continued push for more lender reporting to the CFPB. Dodd-Frank, the legislation that created the CFPB, gave the Bureau broad powers to require lenders to provide data on the types of loans that they provide to consumers. The CFPB has interpreted its authority in this regard quite broadly. The AFA will be closely monitoring any new reporting requirements.

With respect to the future of the CFPB, there is speculation about the future political plans of Director Robert Cordray. There is considerable talk that Cordray may run for Governor of Ohio in 2018 and step down to pursue that office. Additionally, there has been talk in Congress about eliminating the CFPB all together or the President’s firing Cordray, all of which make it unclear as to what might emerge as far as new regulations from the CFPB.

Finally, the AFA is proud to announce that Congressman Blaine Luetkemeyer will be attending the Factoring Conference in April in Fort Worth Texas. Congressman Luetkemeyer (R-Mo) is the Chairman Financial Institutions Subcommittee of the House Committee on Financial Services and the Vice Chairman House Committee on Small Business. The Chairman will be speaking to the full Conference on Friday, April 7th, as well as attending an exclusive breakfast event for AFA members prior to his presentation. The speech to the conference will be open to all attendees, and the Congressman will be taking questions about issues related to the factoring industry. However, the

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NEWS
Continued from page 7

has joined the firm as Vice President, Business Development representing the West Coast. Linda joins Summit from Amerisource, where she served as Regional Market Manager. Prior to this role, she served as a Sales Executive & Business Development Manager for Jack Henry & Associates, and as a Relationship Manager for Dun & Bradstreet. She will represent Summit in California, Nevada, Washington, Oregon, and Alaska.

**Capital Business Credit Names Grbic President/CEO, Fortino COO**

Capital Business Credit promoted Robert Grbic to president and CEO and Michael Fortino to chief operating officer. Robert, who served as CBC’s chief credit officer and chief operations officer, succeeds interim CEO Andrew Tananbaum. Robert has more than 35 years of commercial lending experience, and has been with CBC since 2005. Michael, in addition to his new role as COO, will continue to serve as the CBC’s chief financial officer, a position he has held since 2011.

**12five Capital Hires Jason Bush, Opens New Office In Denver, CO**

12five Capital announced the opening of a new office in Denver, CO with the hiring of Jason Bush as its Lead Prospect Developer. Jason will operate in his new role with 12five from their new location in Denver. Jason comes to 12five as an established member of our industry, beginning his career in commercial finance 2001. Having worked for Capital Asset Funding, Wells Fargo Capital Finance, and most recently Summit Financial Resources, Jason brings with him broad experience in business development, operations, credit, portfolio management, and underwriting.

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- International Factoring Association
- J D Factors
- LSO Funding Group
- MP Star Financial, Inc. (Gage Price, President)
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- Pavestone Capital
- Phoenix Capital Group, LLC
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- TAFS, Inc.

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- Allegiant Business Finance, LLC
- Amerisure Funding, Inc.

**Bronze ($500—$1,000)**
- ACS Factors
- Advantage Business Capital
- American Funding Solutions LLC
- Business Finance Corporation
- Business to Business Capital Corp.
- Camel Financial, Inc.
- Capital Funding Solutions, Inc.
- Commercial Business Funding
- Concept Financial Group
- Cross Key Capital LLC
- CV Credit, Inc.
- Evergreen Working Capital, LLC
- Greenback Capital

(John Adler, President)
- Interface Financial Group
- Mazon Associates, Inc.
- QC Capital Solutions

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**12five Capital Hires Jason Bush, Opens New Office In Denver, CO**

12five Capital announced the opening of a new office in Denver, CO with the hiring of Jason Bush as its Lead Prospect Developer. Jason will operate in his new role with 12five from their new location in Denver. Jason comes to 12five as an established member of our industry, beginning his career in commercial finance 2001. Having worked for Capital Asset Funding, Wells Fargo Capital Finance, and most recently Summit Financial Resources, Jason brings with him broad experience in business development, operations, credit, portfolio management, and underwriting.

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**2017 Members**

**As of February 1, 2017**

**Diamond Member ($10,000+)**
- Apex Capital Corp
- Bibby Financial Services, Inc.
- Crestmark Bank
- D & S Factors (Diana Luoma, President)
- Gulf Coast Business Credit
- International Factoring Association
- J D Factors
- LSO Funding Group
- MP Star Financial, Inc. (Gage Price, President)
- TBS Factoring Service, LLC (Wood Kaufman, President)
- Triumph Business Capital

**Platinum ($5,000—$10,000)**
- Accord Financial, Inc.
- CapFlow Funding Group
- Far West Capital
- Federal National Commercial Credit (Kwesi Rogers, President)
- Gateway Commercial Finance
- Goodman Factors, a division of Independent Bank
- Interstate Capital Corporation
- Millennium Funding
- Pavestone Capital
- Phoenix Capital Group, LLC
- Republic Business Credit, LLC
- Sallyport Commercial Finance, LLC
- Sunbelt Finance
- TAFS, Inc.

**Gold ($2,500—$5,000)**
- AGR Financial, LLC
- Allied Affiliated Funding

**Silver ($1,000—$2,500)**
- Allegiant Business Finance, LLC
- Amerisure Funding, Inc.

**Bronze ($500—$1,000)**
- ACS Factors
- Advantage Business Capital
- American Funding Solutions LLC
- Business Finance Corporation
- Business to Business Capital Corp.
- Camel Financial, Inc.
- Capital Funding Solutions, Inc.
- Commercial Business Funding
- Concept Financial Group
- Cross Key Capital LLC
- CV Credit, Inc.
- Evergreen Working Capital, LLC
- Greenback Capital

(John Adler, President)
- Interface Financial Group
- Mazon Associates, Inc.
- QC Capital Solutions
What's New at IFA
February 2017

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.

ASSOCIATIONS

The following trade associations offer member pricing for events attended by IFA members:

Beijing Commercial Factoring Association (BCFA)

Colombian Association of Factoring (CAF)

Commercial Factoring Expertise Committee of China (CFEC)

www.cfec.org.cn

Ecuadorian Factoring Association (ASOFACTOR)

www.asofactoring.org

FCI

www.fci.nl

Romanian Factoring Association (RFA)

www.associatadefactoring.ro

CERTIFIED EMAIL

RMail

Go Paperless. Switch to RMail to Send your Important Notices. RMail 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.

www.rpost.com/ifa

IFA Members save $300! Subscribe to 1000 units RMail plan for only $390! (Normally $690)

COLLECTIONS

Greenberg, Grant & Richards, Inc.

Since 1993, GGR has served over 10,000 clients in various industries worldwide. In each of the past two years alone, they’ve also collected $100 million for their clients. Because of their proven track record and ability to collect quickly and efficiently, they’ve worked with many Fortune 1000 companies over the years. Their expertise on client service and collection results makes them a perfect fit for your company in the management of delinquent accounts receivables.

Greenberg, Grant and Richards will monitor each IFA member to its fullest to create a successful collection program to fit each member’s needs.

Phone: 800-497-5332 ext 4006 • www.ggrinc.com
Email: mthomton@ggrinc.com

IFA Member Benefits: Preferred contingency rates for all members. Monthly status reports for all members. Superior customer service. 24/7 access to online portal providing constant updates on all accounts placed.

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.

Phone: 630-270-3072 • www.12five.com
Email: ryan@12five.com
IFA Member Benefit: One free hour of initial phone consultation

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

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 more than 250 Factors and over $800 billion in data, Ansonia provides Factors and ABL lenders an innovative way of managing debtor and fraud risk. Our business credit reports feature current and historical days-to-pay information collected directly from the accounts receivable departments of small and large factors, and other companies across all segments.

Phone: 855-ANSONIA • 855-267-6642 x.103
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.

Credit2B

Trusted by all of the majors because of the sheer volume of Factor trade and 98% third-party data coverage of active businesses in North America, Credit2B is a cloud-based platform that empowers accurate and timely decisions by connecting the experiences of trade credit grantors around their common business customers. We combine this highly valuable trade network information of approximately $700B in recent receivables with live bureau and public filing information to provide comprehensive financial risk profiles, all in real time. Our dashboard also provides Factor specific scoring, Factor client risk pools, monitoring, peer benchmarks and comprehensive trade data pack solutions for integration into your enterprise software.

Phone: 714-4500
Website: www.credt2b.com

IFA Member Benefits: Join the largest virtual factor community. Receive 10% price discounts for being an IFA member. Complimentary invitations to our hosted events in NYC.

Dun and Bradstreet (D&B)

D&B is your source for the best business insight in the world. D&B’s global database contains the deepest, broadest, most rigorously quality-assured business insight available, covering more than 210 million businesses worldwide. With this insight, D&B has been enabling companies to Decide with Confidence for more than 170 years.

Phone: 973-605-6344 • Website: www.dnb.com

IFA Member Benefits: New & Returning customers: receive DISCOUNTS off D&B solutions. Discount is for IFA members that are not current D&B customers or have been gone for a period of one year. Existing customers: receive discounts on other D&B solutions not under contract. (ie: Hoovers, Supply, DNBI Modules)

FactorsNetwork

FactorsNetwork provide an online platform where Factors work together to increase their profitability and competitiveness. Members are able to pull Credit Reports free of charge as well as monitor and analyze their portfolio. Transportation Factors benefit from our CarrierMonitoring and ChameleonCatcher programs and their clients love our LoadBoard. You can even use the Sales Tool to help find new clients.

Phone: 435-659-4612 • www.factornetwork.com

IFA Member Benefits: 33% cost savings for the annual membership fee. It is normally $3 per day, but IFA members will pay $.2 per day.

CREDIT CARD PROCESSING

Clarus Merchant Services

Clarus Merchant Services offers a custom program developed specifically for how the Factoring Industry processes their credit card transactions.

Our program provides detailed reporting that allows tracking of each invoice and fee transaction for easy account reconciliation with their customers and clients. We work with each member to ensure all processing costs are covered and that they are doing so within the guidelines of MasterCard / Visa. In addition we provide IFA members direct access to their account manager for immediate response and support.
Pone: David Powers, Member Relationship Manager, 540-222-3925, • www.clarusdc.com
Email: dave.powers@clarusdc.com
IFA Member Benefits: Any IFA member that purchases the CardX program will receive a one-time $200 rebate once the member has processed a whole month using the program.

ePaymentAmerica
Email: factoring_program@epaymentamerica.com
Phone: 901-385-5327 • www.epaymentamerica.com
Email: ficoso.com
Phone: 800-406-1577 • www.ficoso.com
Email: info@ficoso.com
UCC SEARCH
March 7
Luncheon Meeting with NYIC & IFA Northeast Chapter
Arno Ristorante, New York, NY
April 4-5
Face Reading Workshop
Omni Fort Worth, Fort Worth, TX
April 5
Factoring Essentials Training
Omni Fort Worth, Fort Worth, TX
April 5-8
2017 Annual Factoring Conference
Omni Fort Worth, Fort Worth, TX
May 10
Legal Strategies for FinTech
Webinar 1pm-2pm PDT
June 19-20
The Law & Business of Factoring
Planet Hollywood, Las Vegas, NV
June 22-23
Account Executive/Loan Officer
Planet Hollywood, Las Vegas, NV
July 27-28
Sales & Marketing Training Class
Planet Hollywood, Las Vegas, NV

DisaAster recovery services
Agility Recovery
For the past 25 years, Agility Recovery has been a premier provider of onsite recovery solutions across the United States and Canada. When disaster hits, Agility will be 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: 866-364-9696 • www.agilityrecovery.com
Email: andrey.selviny@agilityrecovery.com
IFA Member Benefits: 5% discount to each respective client’s monthly ReadySuite membership fee.

Marketing
50 Words 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
Email: info@50wordsmarketing.com
IFA Member Benefits: IFA members will receive five free hours of marketing services with the purchase of any marketing service. (Offer to new clients only)

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
IFA members will receive an additional 60 days added to the guarantee on all placements.

Software
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 smartphone. As a web-native application, 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
In addition to the one-month free trial for everyone, IFA Members receive an additional 30 days to try the complete program.
ProfitStars
As a diverse, global division of Jack Henry & Associates, Inc.™ (JHA), ProfitStars combines JHA’s solid technology background with the latest breakthroughs. Our Commercial Lending Solutions help financial institutions and alternative finance companies expand commercial credit, increase their yield through higher returns, and outpace the competition through the solutions and services of the Commercial Lending Center Suite™, including FactorSoft®, Commercial Lending Management System™, Commercial Lending FinancialCenter™, Commercial Lending BusinessCenter™, BusinessManager™, and LendingNetwork™. Phone: 205-977-8900, option 3 www.profitstars.com/commerciallending
IFA members will receive 10% off new ProfitStars lending solutions product purchase. For IFA members who are currently ProfitStars customers: Free one day FactorSoft refresher course, per year, at ProfitStars’ training facility in Birmingham, AL.

Tax Compliance
Tax Guard
Tax Guard fills a critical gap in a commercial lender’s credit risk management toolset with efficient, real-time and actionable insight into the true, non-public IRS tax compliance status of their prospects and clients. Our due diligence reports, tax compliance monitoring and resolution solutions support commercial lenders throughout every stage of the funding lifecycle.
Phone: 303-953-6308 • www.tax-guard.com
Contact Heather Love
IFA Members will receive a 20% discount on the same-day due diligence order.

Transportation
ExecuCar
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 at www.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 5 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 at www.supershuttle.com. Use the following Discount Code: CLLMC

Continued on page 35
The IFA Factoring Conference Top Five

It’s hard to believe that the 23rd Annual Factoring Conference is only a couple of months away! With this being my 12th IFA Conference, I am always amazed that the content continues to be relevant and innovative, and the event never gets stale. If you have never attended before, I encourage you to find out for yourself why the 2017 Conference is a must attend event.

Reflecting back over the years at all of the experiences I have had attending the IFA conferences, there are so many things I look forward to. It makes it hard to narrow down my favorites, but I have decided to write a “top five list” of what I am most excited about for this year’s conference.

BY TERRI BAKER

5. PREMIER LOCATION

Having the conference in my home state of Texas is definitely exciting for me. It may not be high on the list of places to visit for some people, but once you go, you will understand why everything truly is bigger and better in Texas. With its vast landscape, friendly people, and the best Bar-B-Que and Tex-Mex you can find, you will soon discover why Texas has so much more to offer than cowboy boots and rodeos.

If you have never been to Fort Worth before, I think you will be pleasantly surprised at how much there is to do. After my recent site visit to the hotel, I can definitely tell you that the area has countless attractions that
are within walking distance of the hotel. Between the restaurants, shopping, nightlife and museums, you will find there is so much to do, but so little time to do it.

4. WORLD CLASS SPEAKERS

The 2017 Conference will contain an extremely high level of speakers from all over the world presenting the timeliest and most pertinent topics that you need to hear. The IFA prides itself on getting prominent, influential speakers that will keep you on the forefront of the industry, and I promise that this year’s lineup will not disappoint.

With over 60 speakers from a variety of different companies, backgrounds and responsibilities, choosing which speakers to see will be one of the most difficult decisions you will have to make during the conference.

3. EXTENSIVE EXHIBIT HALL

The conference would not be complete without our exhibitors showcasing the latest and most innovative products and services available to the commercial finance industry. With over 50 exhibitors all under one roof, you will not have any problems finding the solutions you need to operate your business effectively. The exhibit hall will be the place to learn and explore the different options available, so I encourage all of you to visit with our vendors so you can remain on the leading edge of the most current technologies and services available.

2. SESSIONS FOR EVERYONE

Whether you are new to the industry or a seasoned veteran, our sessions are designed for every person in your organization. With the wide array of topics that we have planned, everyone will walk away with new and relevant information that will help them stay at the forefront of the industry. Below is a list of sessions based on each person’s skill set.

All Skill Levels:
- Miracle on Everest
- Report from the Courts
- How the Economy will Affect Factors
- Anticipate Disruptions, Problems and Opportunities
- Idea Exchange
- Cultivating a Culture of Success
- Fraud Panel
- Legal Panel—Fintech Issues
- Blockchain—What It Is All About and Global Implications
- Face Reading Certification Workshop

Management and Owners:
- What Factors Can Learn From the Fintech Disruption
- Roundtable for Senior Executives
- Everyday Problems That Can Disrupt Your Factoring Relationship and Cost You a Valuable Client—and How to Creatively Solve Them

Beginners:
- Factoring 101
- Legal 101
- Factoring Fundamentals

Operations and Account Executives:
- Online Monitoring Tools: Watching the Web and Social Media for Fraud
- Your Portfolio is Sending out Warning Signals—Are You Listening?
- Roundtable for Operations Personnel

International:
- Documenting for Latin American Factoring Transactions
- How to Factor Chinese Receivables
- Canadian Legal Update
- What to Do When Your Canadian Client Goes Bankrupt
- Using PO Finance Companies to Facilitate International Trade

Young Professionals:
- Roundtable for Young Professionals

Women:
- Roundtable for Women in Commercial Finance

Small Factors:
- Roundtable for Small Factors
- Small Factor’s Breakout Lunch

Transportation:
- Current Topics in Transportation Factoring
- Transportation Breakout Lunch

1. AROUND-THE-CLOCK NETWORKING AND ACTIVITIES

I always find that one of the best things about attending the conference is the array of networking opportunities that are available. There will be a wealth of experience and knowledge under one roof, providing an abundance of opportunities to learn from and meet new acquaintances. With over 20 hours dedicated solely to networking, you are sure to connect with
industry leaders and peers to gain new insights. Below is a list of the networking opportunities offered at this year’s conference.

• Golf Tournament
• New Member Reception (by invitation only)
• Welcome Reception
• Lone Star Reception
• Tax Guard Dessert Reception
• Closing Event at Billy Bob’s Honkey Tonk
• Saturday’s Idea Exchange
• Roundtable Sessions for Senior Executives, Young Professionals, Women, Operational Issues and Small Factors
• Breakfasts and Breaks
• Breakout Small Factor’s Lunch and Transportation Lunch

Attendees often look for more than just high quality content and speakers when they participate in a conference. They expect to have fun and partake in unique experiences that make the overall conference experience worthwhile. I think everyone would agree that the IFA Conference is lauded as one of the most fun industry events because of the laid back environment and exciting activities that are always offered. Included in the activities this year are:

• **The Texas Bar-B-Q Tour**
  This will be something people will talk about long after the event is over. This private tour will take you to three of the top six winning barbecue restaurants in the Dallas/Fort Worth area while you sample their signature meats and sauces. You may even get to meet the pitmaster who can explain the painstaking details that go into each menu item to provide its distinct flavor.

• **The Guest Tour**
  This year’s tour will guide you through some of the most famous and interesting museums that Fort Worth has to offer. The Kimbell Art Museum, the Modern Art Museum and the Amon Carter Museum will all be included to provide a unique perspective on all different art forms through a variety of time periods.

• **The JFK Tour**
  For history buffs, this tour will chronicle the steps taken by John F. Kennedy on the day he was assassinated in 1963. This 90 minute informative tour will begin at The Sixth Floor Museum at Dealey Plaza and will guide you through the life and death of the 35th President of the United States of America.

As the anticipation grows, I look forward to another four days of top-notch educational sessions, inspirational speakers, and stimulating events that the 2017 Factoring Conference will provide. For more information and to register, go to www.factoringconference.com. I hope to see all of you there! •
Beyond the Credit Report
Continued from page 27

Conventional credit risk evaluations that require personnel to sift through data and analyze it manually. Failing to automate and customize credit risk evaluations guarantees that many important evaluation opportunities will be overlooked. Advanced portfolio monitoring technologies replace these costly and error-prone steps, not by eliminating human interaction, but by allowing employees to be more focused and productive.

Managing the Ride

Clearly, these are fast-moving times for Factors and their clients. Businesses in 2017 will continue to face an uncertain future with a new administration, changing regulations and a shifting industry model. Companies in all factoring sectors, from retail to transportation to construction, will seek ways to drive profitable growth while staying within desired risk thresholds. And they’ll do all of this while taking on a marketplace now teeming with a myriad of Fintech lending disruptors competing to win over customers and other previously underserved markets.

This year’s Factoring Conference will focus on Fintech and other trends destined to modernize the operation and marketing of finance companies and Factors. Despite the pressures of these trends, factoring always has withstood the tests of time—through its long history as one of the first forms of financing, through the era when computers replaced ledger cards, through the Great Recession, and more. Given the degree of competition today, IFA members who manage the ride by embracing online innovations and other new technologies will thrive. This includes, and will always include, the adoption of leading-edge automated strategies for reporting and sharing data on how creditors get paid and how debtors pay them.

AFA Update
Continued from page 28

Attendance for the breakfast will be limited to 30 people. If you are interested in attending the breakfast, please contact the Heather Villa or Bert Goldberg at the AFA. It should be an exciting event and we look forward to seeing you there.

The goal of the AFA is to increase membership and financial support from every IFA member. We urge every IFA member to contribute to the AFA as we are in the midst of our annual membership fund drive. Currently, we have Bronze Members who have contributed as little as $500, up to Diamond Members who have contributed in excess of $10,000. This is a very inexpensive insurance policy to help protect our industry from needless regulation which will be both costly and prohibitive. Please consider supporting the American Factoring Association.

IFA Calendar Events and Webinars

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<tr>
<th>Event</th>
<th>Date</th>
<th>Location</th>
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<tr>
<td>September 7-8</td>
<td>Transportation Factoring Meeting</td>
<td>The Seelbach Hilton, Louisville, KY</td>
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<td>October 19-20</td>
<td>Advanced Factoring &amp; Legal Forum</td>
<td>Planet Hollywood, Las Vegas, NV</td>
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<td>October 26-27</td>
<td>How to Compete Against the World of Fintech Training Class</td>
<td>Planet Hollywood, Las Vegas, NV</td>
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<tr>
<td>October 30-31</td>
<td>Advanced AE/LO Training Class</td>
<td>Planet Hollywood, Las Vegas, NV</td>
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<tr>
<td>Jan 24-26, 2018</td>
<td>2018 Presidents &amp; Senior Executives Meeting</td>
<td>Mauna Kea Beach Hotel, Hawaii Island, HI</td>
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Canada Chapter Events

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<th>Date</th>
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<tr>
<td>March 7</td>
<td>IT Security</td>
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<tr>
<td>April 5-8</td>
<td>IFA Annual Factoring Conference</td>
<td>Fort Worth, TX</td>
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<td>May 9</td>
<td>Transportation Factoring</td>
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<td>June 6</td>
<td>Dealing with Millennials</td>
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<td>August 8</td>
<td>Summer Gathering—Golf</td>
<td>Angus Glen Golf Club</td>
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<td>September 12</td>
<td>Legal Cases: Factoring</td>
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<td>October 10</td>
<td>Know Your Client</td>
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<td>November 14-15</td>
<td>2 Day Seminar</td>
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<tr>
<td>December 12</td>
<td>End of the Year gathering</td>
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Meetings Location:
Mississauga Living Arts Centre
Scotia McLeod Room
4141 Living Arts Drive
Mississauga ON L5B 4B8

For more information:
FactoringAssociationCanada.com.

Northeast Chapter Events

<table>
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<tr>
<th>Event</th>
<th>Date</th>
<th>Location</th>
<th>Details</th>
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<tbody>
<tr>
<td>March 7</td>
<td>Luncheon Meeting in Conjunction with NYIC and IFA</td>
<td>Arno Ristorante, New York City</td>
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<tr>
<td>April 5</td>
<td>IFA Annual Factoring Conference—Chapter Reception</td>
<td>Fort Worth, TX</td>
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<tr>
<td>April 27</td>
<td>MCA/Fintech program</td>
<td>Arno Ristorante, New York City</td>
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<tr>
<td>May 5-6</td>
<td>Credit &amp; Bankruptcy Symposium</td>
<td>Foxwoods Resort, Mashantucket, CT</td>
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For more information, contact Harvey Gross at hgross@comcast.net.
UCC MANAGEMENT GOT YOU DOWN? WE CAN HELP PICK YOU UP


First Corporate Solutions is that company.

RISK MANAGEMENT WITH GLOBAL UCC & CORPORATE DUE DILIGENCE
WWW.FICOSO.COM | 800.406.1577 | SEARCHING | FILING | MONITORING