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The IFA continues to grow, adding new members at a pace of over one per week. Although I anticipate some challenges to the factoring sector in the coming years, the growth of the industry is currently strong.

This is evidenced by the continued increase of our annual conference. This year’s conference in New Orleans will be the largest conference to date.

The IFA and AFA continue to represent and shine a positive light on the factoring industry. Through our requirement that members adhere to the code of ethics, educational programs, networking events, surveys and monitoring of events affecting factors, the IFA works to ensure that the public has a favorable view of the factoring industry. The AFA is continuing their efforts in Washington, DC to monitor any possible disruptions to factors and inform lawmakers and policy makers about the value of the factoring industry to the US economy.

The IFA is making a name change to our certification program. This is our extremely successful certification program for Account Executives. Our goal for the number of Account Executives taking the exam has been met and we’ve seen a pass rate of about 70%. We are changing the name of the certification from CFAE to CAEF (Certified Account Executive in Factoring). Given the growth of this program, it was brought to our attention that there may be some confusion between our program and certifications from the Chartered Financial Analyst Institute (CFA Institute). The objectives for the test and the certification program remain identical; we are simply changing the name.

We are excited to announce our training schedule for 2015. We will be featuring many of the favorite courses as well as offering some new programs. You can find information about our courses on page 21.

On behalf of the IFA, I’d like to thank everyone for their continued support of the IFA, AFA, and the entire factoring industry.

[Signature]

BY BERT GOLDBERG
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

1stWEST Mourns Loss of Jerry Oldham, Chairman
Jerry Oldham, Chairman of 1stWEST Background Investigations, passed away on Tuesday, March 10th. Jerry received a diagnosis of amyotrophic lateral sclerosis (ALS) late last year. Jerry co-founded 1stWEST in 1991 and has worked tirelessly for nearly 25 years building 1stWEST into a market leader in the corporate finance industry. Sue Bury-Oldham, Jerry’s beloved spouse, wants to express her appreciation to so many for their kind words, thoughts and prayers during Jerry’s battle. Sue was named CEO of 1stWEST in October 2014. She has been a vital member of the 1stWEST team since 1991 and, under her leadership, 1stWEST will continue to operate as usual.

Far West Capital Continues to Grow Its Broker Referral Program
Far West Capital announced that more than $500,000 in commissions was paid to brokers in 2014. Far West Capital has more than 200 clients nationwide and its broker program has been instrumental in helping create entrepreneurial heroes in a variety of industries and businesses including manufacturing, staffing, transportation, construction, wholesale and distributing, B2B services, and high-tech. The company plans to continue its rapid growth by expanding its broker referral program and opening additional offices in multiple cities across the country in 2015.

Thunder Funding Implements Bayside Business Solutions’ CADENCE Live
Bayside Business Solutions, Inc. announced that Thunder Funding is implementing the CADENCE Live Portfolio Management Platform to administer its transportation factoring operations. CADENCE for Factoring is an innovative and complete portfolio management system ideally suited to Transportation Factoring and capable of handling all aspects of the business process, including: invoice verification, credit checking, purchase decisions, risk analysis, and much more. The ClientWeb Module enables a company to provide personalized, up-to-date account information to clients over the Internet, from a secure, real-time environment.

INDUSTRY TRANSACTIONS

Allied Affiliated Funding Announces Recently Closed Transactions
• $10,000,000 accounts receivable facility including a $250,000 inventory loan to an electrical products distributor for the construction industry
• $750,000 accounts receivable facility to a manufacturer and distributor of snack bars that donates meals to children around the world
• $2,500,000 accounts receivable facility to an IT staffing company that also offers multilingual content management and translation services
dried fruits from Mexico and India, including dried mango, mandarin and coconut; some of these products have a short harvest season, which requires the Company to pay the annual cost of the goods in a very short period of time.

**PERSONNEL**

Chip Scoggins Joins TAB Bank’s Business Development Team as VP and BDO

Chip will be based in Dallas, TX and will be responsible for sourcing new business opportunities by providing asset-based and factoring working capital facilities to commercial entities with annual revenues of $2 million to $150 million. Chip has over 30 years of experience in the commercial finance and banking industries.

Danielle Reboli Joins Porter Capital Corporation as BDO in Dallas, TX

Danielle joins Porter with over 18 years

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**Marquette Business Credit Provides $4.5 Million Revolving Line of Credit to Jackson Pipe and Steel**

Operating from its facilities in Texarkana, Texas, Jackson Pipe and Steel is a steel distributor and service center serving the markets in Northeast Texas, Southwest Arkansas, Southeast Oklahoma, and Northwest Louisiana.

**Crestmark Transactions Total Over $10 Million in the First Half of March**

Crestmark secured $10,095,000 in financial solutions for seven new clients.

- $7,000,000 asset-based line of credit to textile wholesaler in California
- $750,000 traditional factoring facility to a New York designer and manufacturer of jeans
- $125,000 accounts receivable purchase facility to a freight broker in Texas
- $400,000 accounts receivable purchase facility to a trucking company in South Carolina
- $320,000 SBA term loan facility to an independent insurance agency in Nevada
- $250,000 accounts receivable purchase facility to a startup trucking company in Kentucky
- $1,250,000 accounts receivable purchase facility to a freight broker in Alabama

**Universal Funding Corporation to Provide $1.5 Million Per Month for February Clients**

Some of the new clients that commenced invoice factoring financing programs in February include:

- A $150,000 factoring line for an IT consultancy in Florida
- A $100,000 factoring line for a medical device manufacturer in Florida
- A $700,000/month factoring line for a roustabout operation based in Texas
- A $600,000 factoring line for a data storage supplier in California

**Coral Capital Solutions Provides $4.8 Million in Financing to Food Importer Distributor**

The facility will allow the California-based company to grow its sales in the United States. The Company imports

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**Leading Portfolio Management Software**

**Control More > Monitor More > Lend More > With CADENCE.**

Commercial lending is changing rapidly. To stay competitive — and to keep customers satisfied — you need to work faster and smarter.

You need CADENCE, the leading portfolio management software platform from Bayside Business Solutions. CADENCE manages factoring, invoice discounting, asset based lending, and everything in between, on a single software platform that automates the many business processes and workflows of commercial lending.

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of experience in factoring, asset-based lending, purchase order finance and international trade finance. Danielle comes to Porter from DS-Concept USA.

**Bibby Financial Services Names Christopher Kudrna Head of Sales, Small Business Unit**
Christopher will be based in Lombard, IL. He will be responsible for accelerating revenue growth, building the company’s client base and establishing and exceeding profit targets. Christopher brings over 25 years of corporate sales experience and an in-depth understanding of how to drive business growth.

**GCBC Welcomes Matthew Stewart as Vice President, Credit Analysis in Austin, TX**
Matthew holds a Master’s Degree in Business Administration from Tarleton State University as well as a Financial Analysis Certification from the Risk Management Association. He comes to GCBC with over 9 years of experience in the financial services industry with a background in credit analysis, account management, internal policy and procedure writing, customer service, and loan operations.

**Gregg Simpson Joins North Mill Capital as Senior VP in Charlotte, NC**
Gregg is responsible for business development in the Southeastern states. He has been in that market for over 35 years serving in various credit and business development roles for commercial finance companies.

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**Platinum Partners Credit Opportunities Fund (“PPCO”)** is an asset-based investment fund providing loans to markets that are underserved by traditional sources of financing. PPCO is active in the trade finance marketplace, providing warehouse lines to established factoring and purchase order finance companies while also working directly with a variety of businesses to provide the capital necessary to finance the purchase or manufacture of their products.

**Platinum Credit Management LP**
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In 2014, the former chairman of the Federal Reserve, Ben Bernake – the man who was once responsible for setting the United States’ interest rate policy – was summarily rejected by his bank when he tried to refinance his mortgage. The reason: he just changed jobs, which, according to an anachronistic credit metrics, indicated an intolerably heightened credit risk.

The credit analysis did not weigh his future earning potential – he was gainfully employed by a think tank and had just signed a one million dollar book deal. In fact, even the most cursory web search would have revealed that refinancing Ben Bernake’s Washington, DC house is one of the safest bets a local bank could make.

Although ubiquitously accepted today, the idea that a company could numerically quantify the chances that an individual would repay a loan predicated on past performance is a relatively new market phenomenon. FICO, one of the country’s leading providers of consumer credit analysis, began marketing a formula to assess a purchaser’s creditworthiness to banks and department stores as recently as 1956. Although the term “credit score” was popularized in the 1980s, the basic formula for determining credit worthiness has not changed – except the degrees of automation – since the mid-1950s.

Under the traditional model, a consumer’s credit history, as well as his or her likelihood of repayment of a future loan, are scored between a low of 300 and a high of 850 based on factors like “total debt burden, payment history, types of loans and the number of requests for credit.”

Today, credit scores influence all aspects of American life, sometimes with profound effects in situations that seem to bear little relationship to one’s financial wherewithal. Decisions as varied as admissions to hospitals for treatment, to extensions of job offers, have been based on an individual’s FICO score. Even dating websites have asked applicants to list their scores as part of their online profile.
“Credit scores are like the dating equivalent of a sexually transmitted disease test,” said Manisha Thakor, the founder and chief executive of a financial advisory firm in a recent New York Times article. “It’s a shorthand way to get a sense of someone’s financial past the same way an STD test gives some information about a person’s sexual past.”

Critics have bemoaned the lack of accuracy of traditional credit scores as both over- and under-estimations of creditworthiness. Credit “fixers,” such as debt repair firms, game the system to increase their customers’ credit scores through an array of tactics including contesting late payments, adding a name to a newly paid loan or credit card and submitting fraudulent pay checks. Meanwhile, widespread, undetected and uncorrected identity theft and administrative errors cause many scores to underestimate the consumer’s ability to repay a loan.

As the case of Ben Bernake’s mortgage refinancing kerfuffle best illustrates, concerns over the reliability and inflexibility of traditional credit metrics have reached a tipping point; opening expansive, well-funded opportunities for entrepreneurs to create new alternative scoring models.

In January and February of this year alone, venture capital firms poured over $340 million into 17 lending start-ups, with the average deal valued at $24 million.

The lenders of tomorrow plan to make credit decisions based on hundreds, if not thousands, of data points aggregated from a potential customer’s personal electronic activity. Over 100 companies track every mundane millisecond of a person’s browsing activity – e.g. websites visited, purchases made, emails sent, friends friended – creating a rich mosaic of intimate personal data. In lieu of credit history, start-ups such as Earnest and ZestFinance will rely on a multitude of zany factors such as whether a potential customer completed a standardized form in ALL CAPS or how long a mouse cursor hovered over the terms and conditions page of a website or whether his Uber driver gave him a high passenger rating.

Online web browsing history, moreover, can be combined with a user’s offline data through third party data brokers. In other words, a list of a user’s Facebook friends, Twitter tweets or LinkedIn connections can be linked to physical demographic, financial and geographic records housed by offline data brokers. The
amalgamation of offline records and online activity data and connections creates a powerful “social graph” that further enriches a credit risk analysis to an eerily granular degree.

“The reason these alternative lending platforms are coming up is that platform lending is simply more efficient for both the borrower and the lender, said Stuart Ellman, a managing partner at leading venture capital firm, in a recent Tech Crunch article on the alternative lending industry. “The borrower is able to find loans that they otherwise weren’t able to get – either from the banking crisis or from banks tightening up their lending process – and lenders have the ability to do their diligence, see the risk and the interest rates, and make the loans they want to on an a la carte basis.”

Until recently, most VC-backed tech lending start-ups have concentrated on general peer-to-peer lending. However, buoyed by the overwhelming success of large peer-to-peer lenders such as Lending Club and Prosper, nascent tech-based lending firms have begun to concentrate on niche lending areas or verticals. Upstarts such as DriverUp and SoFi, which focus on automobile and student lending and have recently closed $50 and $200 million dollar rounds in venture-backed financing, respectively, have opened up ever-increasingly discrete lending verticals.

Expect the splintering of such verticals to intensify as alternative lending firms aggressively expand from peer-to-peer to business-to-business ventures, as general proof of the data-mined lending concept is verified. Perhaps then, one day soon, Ben might be able to refinance his home.

Drew F. Cohen is an associate at Express Trade Capital where he focuses on business and legal operations. He has written a variety of commentaries focusing on socio-legal, regulatory and economic issues for national publications including USA Today, Politico Magazine, US News & World Report, among others and holds a JD/MBA from The George Washington University where he was a EURC Scholar. He is a former law clerk to a federal US judge as well as to the chief justice of the Constitutional Court of South Africa. Express Trade Capital is a private finance company specializing in trade finance, commercial lending, and supply chain management solutions. You can visit Express Trade Capital at its website: www.expresstradecapital.com. Drew can be reached by phone at (212) 997-0155 or by email at drew@expresstradecapital.com.
Will Video Kill the Radio Star?
The Rise of Supplier Networks and Marketplace Lenders and their impact on Receivable Finance

Back in the 70s, I remember this weird track that was played on the radio that was about how technology was on the verge of changing everything. It was the first video song to be promoted on MTV.

BY DAVID GUSTIN

A few decades later, the world of trade finance, invoice finance, and receivable lending have pretty much remained unchanged. The associated management of risk and financing services has hitherto been the exclusive domain of the financial services industry, comprising both banks and, to some extent, specialist non-bank financial institutions.

That is all set to change as banks face quite a different regulatory and compliance regime versus their non-bank brethren. It is increasingly clear that, as in other areas of financial services, the business of trade finance and receivable lending is exposed to the competitive threat of non-traditional service providers, including those in the financial technology sector who are well-positioned to take advantage of new supply chain logistics and other trade-related platforms through the provision of new products and services underpinned by new business models.

A new era of capabilities brought forth by the rise of purchase-to-pay (P2P), order-to-cash (O2C), e-invoicing and supplier/business networks combined with third-party capital sources is challenging the existing bank ecosystem in the trade financing area.

A Wake Up Call for Banks?
We constantly see news headlines that a startup or established e-commerce provider is going to enter the lending business:

• Google and Alibaba now partner with Lending Club
• Amazon noses into industrial supply chain
• Facebook is preparing to move into the international money remittance space with tools such as WhatsApp
• Tungsten can finance their own supplier network with their own bank
• Fastpay has developed solutions for the media and marketing sectors
• Square is becoming involved in small business lending
• MasterCard and Basware have entered into a partnership arrangement

And this is just a start!
Buyers and sellers are looking for solutions that facilitate ‘connected commerce’ - which brings visibility and control as well as improving predictability, productivity, and profitability.

The connected commerce world is being driven by two primary players:

1. **Global 2000 Corporations**

Purchase to Pay, e-procurement, e-invoicing and Supplier Network propositions are getting more established together with early pay finance techniques. Large global corporations that use these networks to manage suppliers will enable their suppliers to receive early payment. This will leave out quality Blue Chip names for Commercial Finance to evaluate a seller’s portfolio. These solutions first start with an integration project around e-invoicing, e-procurement, EDI replacement, etc. that leverages the infrastructure to enable early pay.

The notion of non-financial institutions being able to provide finance to support trade is far from new. There are several examples of support for financing of capital expenditure, leasing of equipment, etc. There are more examples of companies offering invoice discounting and factoring services to dealers and distributors to lubricate their supply chains. However, more and more channels are emerging as a result of an explosion in peer-to-peer lending platforms and streamlined logistics, not to mention crowdsourcing and crowdfunding.

These examples are actually less interesting for bank disintermediation viewpoints in B2B. As we enter the summer, we see the most interest in the area of supplier receivables from non-banks that are looking for medium to high yield short-term assets. Hedge funds and family offices are emerging (and common) sources that are increasingly partnering with technology providers and networks. These non-banks have gained interest in receivables as a short-term, fixed-income asset class because the inherent short-term and revolving nature attracts investors who do not have the same capital and compliance issues as banks.

2. **Governments mandating electronic tax and trade reporting**

Leading the way for these initiatives is, surprisingly, Latin American countries (or maybe not surprisingly, given the tax leakage issues emerging markets tend to have). Governments in Brazil, Mexico, Argentina, etc. are involved in every transaction twice – first at time of Shipment by Seller and then during receipt/payment by the customer. For example, if Coca-Cola Brazil...
sells to a grocery chain, they cannot ship until they register the invoice with the Government and receive a validation back, approving the shipment. Once the customer receives that invoice electronically in advance, they immediately send back to the Government to inform them the invoice is valid to pay. You get the goods and the customer can immediately scan them in and have an “okay to pay” electronically validated with the government because they know it matches what Coca-Cola reported.

Other parts of the world are starting to notice the Latam process around invoicing and tax reporting. The entire domestic trade economy is digitized. Think about that for a minute. The benefit of such a rigorous process is you have real-time data on the economy and incoming taxes due.

Multinationals face huge fines if they are not in compliance. For example, Proctor & Gamble was accused by the Argentinean Government of fraud related to imports of razors and other toiletries from Brazil that it said were billed through a Swiss subsidiary for $138 million. The agency said the alleged operations were to get currency out of the country and hide taxable income.

Disruption: Be Ready by 2018

The disruption occurring around working capital business banking is in the early days. Two questions that cannot be answered by anyone is how quickly early pay models and marketplace models will erode the receivable base and by how much. But startups using cloud-based technology and “information advantaged” finance models are going to become more of a threat to traditional banking lines of business by 2018. The most significant news for vendors creating assets for investors via their technology (P2P, e-procurement, e-invoicing networks, etc.) is the fact that bank capital has become expensive and banks are more selective in lending relationships. This has enabled non-traditional players to go after areas where banks have not. The opportunity to finance trade credit in the supply chain is massive. Most of trade credit (about USD $7.5 trillion) is not intermediated directly and remains on corporate balance sheets (in the form of trade receivables). Historically, it can be argued that banks have only scratched the surface of penetrating the market for trade credit.
The key question is how to use the data contained in supplier networks to make a lending decision, which is a function of the data quality and type of data.

So how do traditional Collateral Lenders play in this space?

Option 1, which is what the vast majority are doing: do nothing and watch my receivable base erode. Essentially what they are saying is it is not a problem today and I don’t believe it will be tomorrow.

Option 2: we are building our own purchase to pay or order to cash software solution in our Treasury, Payments, pcard or other departments, and they will figure it out. I hear that a lot from banks. Right, corporates love using a bank or factor’s software. I don’t think so. The supplier networks, business information networks, e-invoicing and e-procurement vendors are deeply integrated, with great tools, user interfaces, onboarding etc. They have to be; their revenue depends on it.

Option 3: actually figure this out. While there are many options to consider, none are going to be easy or straightforward. For example, a bank or factor could:

• Provide balance sheet as an investor
• Leverage a platform (i.e. license) to develop new product solutions
• Work with vendors to develop APIs to use network data to underwrite

Networks have valuable data — existing and trending trading information through the network (e.g., How many years has a supplier been trading with a customer?; What do invoice volumes look like?; How are they trending?). The combination of a purchase order, invoice and invoice approval and payment history provides a combination of invaluable information to a lender. Networks may have data on dilution and payment history as well.

The key question is how to use the data contained in supplier networks to make a lending decision, which is a function of the data quality and type of data.

Summary

Invoice discounting is rising because current banking solutions are not meeting market demand. One of the major opportunities that these (and other) vendors sense is that banks...
are not lending to all segments of the market. Change is happening fast. It seems that every week, some type of new startup or existing P2P or network provider is entering the market to leverage its (or a partner’s) product capability along with data and analytics to either disintermediate traditional banking business or provide a more efficient way for banks to lend (P2P lending, crowdfunding, early pay solutions, asset based lending platforms, auctions, etc.).

Collateral lenders need to respond to this growing threat. Whether the market will be material in 2017 or 2018, it is happening and will continue to do so. Doing nothing or trying to build your own closed-model solution will prove challenging. Remember, while collateral lenders may own a piece of the relationship now, your clients will look for options, and there will be options. Think what this space will look like in five years.

Don’t be left out in the cold!

David Gustin is the founder and President of Global Business Intelligence (“GBI”) since 1996 and the co-founder of Trade Financing Matters. For almost 20 years, David has been running a global research and advisory practice centered on helping banks, vendors, and corporates with trade services, trade credit and financial supply chain matters. His clients included financial institutions, financial technology vendors, transportation vendors and professional service firms. As Co-founder of Trade Financing Matters, part of the Spend Matters properties, David supports all things working capital and is currently involved in projects around alternative lending models. Prior to establishing Global Business Intelligence, David worked on various strategic and operational assignments in North America, Asia, Europe and Australia/New Zealand with Booz Allen & Hamilton. He is a former VP of Security Pacific National Bank, and VP of Mellon Bank. David’s formal education includes an Information Systems and Economics degree from Carnegie-Mellon University, an MBA from Purdue, and a Chartered Financial Analyst designation. David can be reached by phone at (604) 924-0851 or by email at dgustin@globalbanking.com.
Growing Export Sales
How savvy US exporters use financial resources and tools to compete with foreign competitors

In 2011, the National Export Initiative (NEI) was created by the Obama administration, with a goal to double US exports in the next four years. The NEI entered its second phase, or NEI/NEXT, in May of last year.

BY JENNY LEZON NORRIS

Today, nearly 14% of our economy is driven by exports of US-made products, and that number is destined to grow as trade agreements like TTIP (Transatlantic Trade and Investment Partnership) currently a proposed free trade agreement between the EU and US, strive to be completed. And these figures don’t even include all the export trade in products not made in the USA but sold by US distributors and trading companies.

The US economy has not always been on the cutting edge of exports. Our trading history is much younger than that of our European forebears. Over hundreds of years, trade between European economies grew quickly; borders were close (if not moved around). European exporters were faced with currency differences, as well as numerous legal frameworks when selling outside their country. Naturally, trade finance and other instruments developed in these markets, primarily out of Germany and France. Credit insurance is a prime example of a trade instrument that developed in Europe, and over the past twenty years, has become much more active here in the US.

As international trade grows, US exporters are learning that cash in advance and letters of credit are no longer always competitive terms in the global marketplace. Let’s examine why. A US company that has traditionally done business here in the US, offers standard terms of net 30, to their domestic customers. Internationally, the same US manufacturer is demanding cash in advance or a letter of credit, requiring their international customer to use existing cash or secure the payment via a letter of credit, which in essence is a secured loan in the buyers country. Of course, why should the US exporter serve as a ‘bank’ and offer terms to clients? They are a manufacturer, not a lender. The reason why is because the US exporters have resources. In order to compete with foreign competitors in a worldwide economy involving sellers from many countries, more and more US exporters are using their financial resources to extend open-account credit to their overseas customers.

A growing number of US exporters are turning to factoring as a way to finance their foreign receivables. Factoring provides several benefits to exporters, including fast response times, simple administration, and access to financing for exporters who may be ineligible for conventional bank lines of credit. Expanding exports are helping the US economy recover from recession and factoring is playing a role in that growth.

For factoring companies that discount foreign receivables, the greatest challenge is managing their credit exposures on foreign debtors.
who represent large exposures (a) with whom they may have little or no experience, (b) who are located in high-risk emerging markets, (c) whose financial statements are not audited, or (d) for whom conventional credit information may not be available, not even through Factors Chain International, International Factors Group, or credit reporting agencies.

Factoring companies can use export credit insurance to protect their foreign receivables against virtually all nonpayment risks. Policies cover not only bankruptcies/insolvencies but also cash flow problems, balance sheet issues, currency fluctuations, and general economic conditions. Political risks are also covered, including foreign exchange, civil unrest, war, expropriation, and changes in import or export regulations.

There are two ways to use export credit insurance with factoring. A factoring company can obtain export credit insurance for its own account and then discount exporters’ foreign receivables without recourse. Or each exporter can purchase its own export credit insurance policy, designate a factoring company as the policy’s assignee or loss payee, and then have their foreign receivables factored with recourse.

If a factoring company purchases export credit insurance itself, exporters will be able to discount their foreign receivables with that factor as long as their debtors are covered under the factor’s insurance policy. This works well for some factors and exporters, but the limitation is that no single insurance company or policy is the best fit for every exporter’s foreign receivables. Also, some insurance companies will only issue policies directly to exporters.

When exporters obtain their own export credit insurance policies and then use the coverage to factor their foreign receivables, each exporter can shop the entire insurance market to find a policy (or multiple policies) that will cover all of their foreign customers, at the lowest premium cost and with terms and conditions that match how they do business. The factor is doubly protected by both export credit insurance and recourse to the exporter.

Just as one has choices when it comes to what factor to work with, US exporters and factors have choices among credit insurers, either private or government backed. Each has its own advantages and disadvantages. While the government backed program Ex-Im Bank, which stands for the Export Import Bank of...
the United States, has no minimums, it is strictly governed by supporting only US exports of products and services with a 51% or higher US content.

While Ex-Im offers both single buyer and multi-buyer policies, in recent years, Ex-Im has designed a small business, multi-buyer insurance policy. Exporters that meet the criteria of a small business as defined by the Small Business Administration can enjoy a ‘pay as you go’ type policy, with no upfront premiums required. As export sales are reported, a premium is paid only on the amount of the open invoice. The policy allows exporters to name specific buyers. So, if you are beginning to export, or currently export but only want to cover say, 1-2 buyers in a market, you have some flexibility.

Private credit insurance, while agnostic to country of origin and US content requirements, does require minimum premiums. However, private insurance is more customizable and because there are tens of insurance carriers to choose from, structures and pricing will vary.

There are things to consider when choosing a credit insurance policy, and, while cost is one of them, credit insurance is generally relatively inexpensive, typically costing a fraction of a percent of sales/invoice values. What exporters and factors want to pay special attention to are issues like individual buyer credit limits and/or discretionary credit limits, cancellability or non-cancellability of buyer/country limits, and a policy’s aggregate limit of liability, all things that your insurance broker or the insurer can help customize for your specific business needs.

Any factoring company can use export credit insurance. There’s no need to refer exporters to factors who advertise special international expertise if all those factors have done is obtain an export credit insurance policy. Meridian provides all the expertise and support any factor needs to use export credit insurance.

Continued on page 31

Jenny Lezon Norris is the Northeast regional manager for Meridian Finance Group. Meridian specializes in both domestic and international trade credit insurance, and in 2014 was presented the President’s “E” Award for making significant contributions to US exports and international trade. Jenny, who is based in Glastonbury, Connecticut, can be reached by phone at (860) 645-3820 or by email at jnorris@meridianfinance.com.
It has been a year since we provided our last update on Pat Burns of Primary Funding. We are so grateful that Bert from IFA reached out to us again to see how Pat was doing and to include an update in this magazine.

As most of you know, Pat is recovering from a massive Ischemic stroke she suffered in late 2012. She had lost the entire use of her right side and was forced to learn how to walk and talk again. It has been a long road to recovery, but we are happy to report that within this last year she has shown huge improvements. We are so proud of her hard work and grateful for her dedicated therapists. She has regained most of her physical strength and use of her leg, arm and hand. Her fine motor skills are still a bit behind, but that isn’t far from her reach. A close friend of hers actually took her to Park City this season and Pat skied with the Ability Ski Team. It was quite impressive to see her skiing on her own in a matter of an hour.

So this year she purchased a new home where she is riding her 3-wheeled bike around the neighborhood and up to the clubhouse for the nightly social hour. If you know Pat, you know that even though she can’t speak as well as she’d like, she isn’t going to miss a party! Her speech is really improving though and there have been days now when we can sit and talk for an hour straight with her doing most of the talking. Not everything is clear, but we are able to have a 2-way conversation and we can understand most things she says. She continues to work on it. Prior to her stroke, Pat started really getting into photography. Since the stroke, it has been a big goal of hers to get back into taking photos and retouching in Photoshop. We have already seen a few great photos that she has taken and she is slowly relearning Photoshop. Another huge goal of hers is to drive again. This independent lady is tired of relying on her part-time caregiver and others. Good news though—she has been approved to take the driver’s evaluation course. We are all hopeful she does well and
she gets back to driving again.
As for Primary Funding, 2014 was a good year. Jason Severson, Pat’s son-in-law, is President of Primary Funding, having taken over that role in late 2012 after Pat’s stroke. We are celebrating 20 years in business in 2015 and we’re excited about the future. Historically at Primary Funding, we just did factoring. While factoring is still our main product, we have expanded our product offering to include asset based lines of credit (including lines with no lockbox requirement) and short-term loans. These are not cash advance type products, they are lines and loans that function much like a bank product, but with interest rates ranging from 15 -18% to account for a higher risk profile than a bank client. With our commercial banking background and ability to underwrite and understand businesses, we are comfortable in this space. We are finding a great need for this type of financing for those companies that are not quite bankable and don’t fit or want a factoring product.

Our goal of growing Primary Funding has been recently boosted by the addition of Greg Salomon as Executive Vice President/Director of Sales. We are excited to have Greg on the Team and look forward to his contributions. As for Pat’s involvement at Primary, she is not quite there yet. As her speech continues to improve she is hopeful that she can come back to work on a limited basis later this year. She misses working and misses helping companies grow and succeed. She also misses those of you that know her, and hopefully someday Pat can attend the IFA conference and see many of you. Thank you for the many well wishes, thoughts and prayers for Pat. She is still a dynamic woman with a love for life, family and friends. •
Many of you may be wondering when I will begin writing about something other than Operation Choke Point. The answer is simple: when the program is actually dead.

The American Factoring Association, along with many other industries seriously affected by Operation Choke Point, have worked tirelessly to bring Operation Choke Point to the attention of our Members of Congress in Washington. Following the hard work of Rep. Blaine Luetkemeyer (R-MO) and others in Congress who urged action, the FDIC has issued guidance to its staff that restricts some of the methods used to advance Operation Choke Point.

In the past, Operation Choke Point has worked largely through regulators using verbal comments or suggesting that a bank should stop doing business with certain categories of customers. As a result, it has been difficult to definitively tie particular bank actions to Operation Choke Point.

The new FDIC guidance purports to be designed to stop the continued closure of bank accounts belonging to legal businesses. It instructs FDIC staff to put in writing any recommendations for closure of bank accounts and any criticism of banks for their relationships with certain businesses. Additionally, the new guidance states that “reputational risk” alone is no longer to be considered grounds for recommending the termination of a banking relationship. The prior FDIC guidance on “reputational risk” led to the notorious list of businesses targeted by Operation Choke Point.

While many in the press have stated that the new guidance effectively ends Operation Choke Point, many of us are not convinced. One of our principal concerns is the effect the Operation has had on bank management. The program has resulted in a sense among many bankers that they should not do business with whole categories of customers, including factors. While we may not have been the intended target of

Continued on page 31
THE WORLD’S LARGEST ASSOCIATION FOR THE FACTORING INDUSTRY

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UPCOMING EVENTS

6/15-16 Law & Business of Factoring
Paris Hotel, Las Vegas, NV

6/18-19 AE-LO Training
Paris Hotel, Las Vegas, NV

7/23-24 Factoring Government Receivables
Planet Hollywood, Las Vegas, NV

9/10-11 Transportation Meeting
Grand Hyatt, Denver, CO

10/8-9 Sales & Marketing Training
Planet Hollywood, Las Vegas, NV

10/26-27 Strategic Working Capital Issues for Factors & Asset Based Lenders
Planet Hollywood, Las Vegas, NV

10/29-30 How to Advance on Other Boot Collateral
Planet Hollywood, Las Vegas, NV

1/27-29 President’s & Senior Executive’s Meeting
Trump Ocean Club International Hotel & Tower, Panama City, Panama

3/8 Luncheon Meeting w/ NYIC
New York, NY

4/13-16 Annual Factoring Conference
Fairmont Scottsdale, Scottsdale, AZ

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The IFA offers CLE credits for upcoming programs. Information on approved programs and states is available at info@factoring.org or contact the IFA at 805-773-0011.

The International Factoring Association is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website, www.learningmarket.org.
ASSOCIATIONS

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

 Colombian Association of Factoring (CAF)
 www.cfact.org

 Commercial Factoring Expertise Committee of China (CFEC)
 www.cfec.org.cn

 International Factors Group (IFG)
 www.ifgroup.com

 Romanian Factoring Association (RFA)
 www.asociatiadefactoring.ro

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

www.rpost.com/IFA

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CONSULTING

12five Consulting
12five Consulting provides technology and social media consulting to the commercial finance industry. Born out of its sister company, 12five Capital, 12five Consulting understands the technological needs of the commercial finance industry, as it was their application of these tools that lead to their expertise. 12five specializes in software optimization, cloud computing implementation and social media representation.

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

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

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Phone: 201-714-4500
Website: www.credit2b.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)

CREDIT CARD PROCESSING

ePaymentAmerica
ePaymentAmerica is the nation’s leading provider of processing services for the factoring, A/R financing, and P/O financing industries. They offer IFA members exclusive VISA, MasterCard, American Express and discover pricing, a discount on their virtual gateway, and a discount on PCI Compliance Certifications.

Phone: 901-385-5327 • Website: www.epaymentamerica.com

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Phone: 631-630-9278 • www.rmpcapital.com
Contact: Jim DCamillo, jdcamillo@rmpcapital.com

IFA Member Benefits: RMP Capital Corp. will pay your IFA membership yearly dues.

MARKETING

50 Words Marketing, LLC
50 Words is a marketing outsourcing firm for companies that either do not have a marketing department or that need to add more manpower to their existing marketing teams. They serve as your dedicated marketing department.

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Email: sales@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)

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RMP Trade Credit is the leading source of small ticket Purchase Order Financing. They do deals from $5,000 to $2,000,000 per month. They consider larger deals with participation. RMP Trade Credit closes deals faster than any other competitor. Their staff has over 100 years of manufacturing, importing, and exporting experience to help their clients with their needs.

Phone: 516-455-0075 ext 400
www.rmptradedcredit.com
Email: ngoldberg@rmptradedcredit.com

IFA Member Benefit: RMP Trade Credit will offer a 15% commission on all PO deals referred by an IFA member.

RECRUITMENT AGENCY

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Phone: 469-402-4000 • www.searchcf.com
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IFA members will receive an additional 60 days added to the guarantee on all placements.

SOFTWARE

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Bayside Business Solutions is an innovative supplier of commercial portfolio management software that enables lenders to manage factoring, invoice discounting, asset based lending, and more on a single platform - CADENCE (formerly FactorSoft). Control more. Monitor More. Lend More. With CADENCE.

Phone: 205-972-8900 • www.baysidebiz.com
IFA members will receive 10% off new license purchases. For IFA members who are currently Bayside customers: Free one-day refresher course per year, at Bayside’s training facility in Birmingham, AL.

FactorFox
FactorFox Cirrus is a cloud application for factors, their clients, brokers, lenders, and others who enter or access data. Entries can be made and reports accessed from any internet-connected computer, tablet, or smartphone. As a web-native program, there is no extra cost for setting up your account or to access your data; further, you receive three hours of free training online. FactorFox's various versions make it suitable for nearly any size factor.

Phone: 866-432-2409 • www.factorfox.com
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Tax Guard is the only tax compliance company in the U.S. that works with lenders to expose credit risks in real-time before it becomes public information. Unlike a traditional public record search for federal tax liens, Tax Guard utilizes a proprietary, patent-pending process, providing due diligence and tax monitoring reports to lenders across the United States.

Phone: 303-935-6308 • www.tax-guard.com
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IFA Members will receive a 20% discount on the same-day due diligence order.

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Phone: 800-406-1577 • www.ficoso.com
Email: daves@ficoso.com
IFA members will receive a 10% discount off of the retail rates of their signature state and county account monitoring product.

IFA CALENDAR OF EVENTS

June 15-16
Law and Business of Factoring
Paris Hotel, Las Vegas, NV

June 18-19
AE-LO Training
Paris Hotel, Las Vegas, NV

July 23-24
Factoring Government Receivables
Planet Hollywood, Las Vegas, NV

September 10-11
Transportation Meeting
Grand Hyatt, Denver, CO

October 8-9
Sales & Marketing Training
Planet Hollywood, Las Vegas, NV

October 26-27
Strategic Working Capital Issues for Factors and Asset Based Lenders
Planet Hollywood, Las Vegas, NV

October 29-30
How to Advance on Other Boot Collateral
Planet Hollywood, Las Vegas, NV

FOR DETAILS ABOUT IFA EVENTS, PLEASE VISIT WWW.FACTORING.ORG
What Happens When An Innocent Service Provider Gets Caught Up With A Bad Actor: A Real Life Drama Played Out

The UCC service provider industry gives invaluable assistance to the factoring and lending communities. By outsourcing the filing and monitoring responsibilities to a professional, the factor/lender is assured that its lien will be properly perfected and regularly monitored so that tax liens and other advice filings will be timely discovered. For some reason, most factors, lenders and even law firms delegate the UCC filing responsibility to a person who least appreciates the potential disastrous consequences of what may happen if the filing is incorrect or a later filed lien is not discovered. The UCC service providers are trained in the nuances of UCC filings and are well regarded members of the financial community. But, what happens when the company to whom the UCC provider is assisting is a bad actor?

Some unscrupulous factors or, more likely, the commission-based business development person affiliated with the factor, have resorted to reverse lien searching in order to raid another factor’s client base. This practice is frowned upon by the IFA and the majority of the factoring community. Because it is not required that the UCC financing statement identify the secured party to the same exactness that is required for the debtor, the UCC service provider industry seized upon a good business opportunity, that being, masking the identity of the secured party so a search will reveal the UCC service provider as a secured party and not the actual factor. The UCC service provider will file the financing statement in its name, presumably conduct the required lien searches, ensure that the financing statement is properly perfected, and monitor the UCC for later liens. The UCC service provider will also follow the factor’s instructions with respect to other issues with the financing statement, such as termination. This great idea has resulted in a decline in the UCC poachers raiding other factoring companies. However, this masking service has also been seized upon by the merchant advance industry. As indicated in a prior article, merchant advance lenders lend money to their borrowers, or sometimes structure the transaction as a sale of “future receivables”. In each instance, the merchant advance lender is repaid by regular debits against the borrower’s bank accounts or through daily assignment of credit card receivables. There are some unscrupulous merchant advance lenders who have marketed customers by doing reverse lien searches on the factors. There are also some merchant advance lenders who target customers who factor because the regular bank account debits have a higher success rate when the factor advances money to its factor client – in other words, there is money in the bank accounts to debit.

It would only be a matter of time when the merchant advance industry caught on to the benefits of masking their own filings. This is exactly what happened to my good friend and fellow IFA colleague, David Jencks of Jencks and Jencks, P.C. David’s client, the factor, was funding a business that eventually ran into trouble. The factor client perceived its cash needs were more than what the factor was able to provide. The factor client then obtained two merchant advance loans. One lender filed the financing statement under its own name. The other merchant advance lender used a UCC service provider to mask its financing statement. The factor client, for a brief period of time, had cash from two merchant advance companies and the merchant advance companies enjoyed the benefits of debiting the bank accounts of the factor client, taking the proceeds of David’s...
factor client’s advances on a regular basis. Eventually, things went from bad to worse. The factor, with no knowledge of the two merchant advance companies taking the proceeds of its advances, stopped financing and went into workout mode. David, being the good lawyer that he is, caused a lien search to be conducted when he stepped in to handle the matter. Of course, the new lien search revealed the two new financing statements by the merchant advance lenders. The factor was justifiably unhappy when it learned that its factor client financed with two merchant advance companies, who collected upon the factor’s collateral. While the rights and liabilities of a junior lienholder to collect and retain collateral proceeds of a lienholder that is senior to the junior, is sometimes confusing and inconsistent, the general trend is to hold the junior lienholder accountable to the senior lienholder—especially when the senior lienholder has a warning on its financing statement. In this case, it was clear that there was liability against the merchant advance companies who interfered with and converted the factor’s senior collateral. The problem is that David had no idea as to the identity of one of the merchant advance lenders. The first thing David did was to send a correspondence to the UCC service provider who assisted the unidentified merchant advance lender. The UCC provider took its masking duties seriously and refused to identify its customer. That left David with no choice but to sue the UCC service provider. Shortly after the UCC service provider was sued, the unidentified merchant advance company appeared in the case. The lawsuit is now pending. When asked about the problem, David stated, “I understand the business reasons behind UCC masking, but it will create increased challenges and costs in litigation.” It’s clear that certain changes in industry practices should be made. Certainly, the factoring industry does not want to lose the benefits of masking services. The service is invaluable as it provides benefits far greater than just preventing portfolio raids. However, UCC service providers should not be like Swiss or Cayman Island banks where unfettered secrecy is the name of the game. Given the fact that some of the merchant advance lender players are small operators, who can easily disappear, especially in the face of a judgment in favor of the factor, it won’t be long before an aggrieved factor alleges claims against the UCC service provider if this practice continues. A claim against the UCC service provider may stick if it can be shown that the UCC service provider knows that it is helping assist a bad actor that is committing torts against other factors or lenders. The last thing that we want to happen is to discourage or stop an innovative product. UCC masking services are necessary and coupled with lien filing and monitoring services; the factor has a trained professional watching its back and protecting the portfolio. However, secrecy about the identity of a bad apple, like the situation with David, is bad for the factoring industry. The best way to solve this problem is an open dialogue, with all the players. The IFA community and the UCC service providers need to understand the limits of UCC masking and things like that, and prevent this problem from happening again. The merchant advance industry has taken steps through its trade organization to institute its best practices guide—but unfortunately, the merchant advance industry is not highly organized, although it is moving in that direction. Hopefully, with an open dialogue and better understanding of everyone’s business, we can solve the problem of some bad actors taking advantage of the UCC masking services.

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Breaking Up Is Hard To Do: Knowing when to let a client go

Whether it’s the lending industry or just life in general, like the song says, breaking up is hard to do. Having written a bunch of articles and blogs about cultivating relationships with your clients, I’d like to take a step back and look at the other side of the equation. Specifically, how do you handle clients that no longer fit your business model?

As with any business, our primary goal is to generate revenues by acquiring new clients and retaining those relationships. If sales were easy, every business would thrive and we would just pick and choose which clients to keep and which to let go. Unfortunately, the real word doesn’t work that way. Business is tough and sales are anything but easy, leaving only the strongest to survive. The same principles are true in the factoring industry where mitigating risk is just as important as making the sale. Salespeople clash with underwriters and vice versa. Almost every factor mitigates risk by adhering to guidelines that take into account concentration levels, creditworthiness, industry experience and so forth.

So you’ve done your due diligence, and funded a few deals with your new client. Payments are received from the account debtors and your client has even asked you to increase their credit limit to allow for further expansion of his company. The relationship has progressed nicely. This is the flow every factor relishes and is the reason why we got into the business in the first place. Sadly, this isn’t always the case. Factors who’ve been in the business for an extended period of time know what I’m talking about. There’s always one client that pushes the boundaries of the relationship. How often have you come across that same client constantly asking to fund an invoice prior to full verification, having invoices that consistently exceed ninety days or even the dreaded misdirected payments that somehow are inadvertently cashed by his bookkeeper? The purists out there will say with proper due diligence these unlucky incidents should not occur.

As an owner of a factoring company that prides itself on adhering to operational guidelines, it does happen. We’ve worked with some of the largest, publicly traded account debtors and they still pay late even with full verification. We also work with local governments and it’s basically hit or miss depending upon the staff employed at that particular municipality. In other cases, many issues that arise within the factoring framework are actually caused by the client. Although the invoices he furnished were verified, it turns out there was some issue with the product. This causes your client to re-submit the invoice and further delay payment. The more important issue to consider is why the product is being rejected by his customer. I’ll give you an example. We had a client that manufactured a very specific product for customers throughout the country. As the competition started increasing and margins narrowed, they decided to utilize an overseas manufacturer at a much lower cost. A new
problem that arose was that defects increased dramatically and more of his product was rejected by his customers. This led us to decrease his credit line and advance rate, thus lowering the cash flow available to his business. He eventually stopped factoring with us and moved on. Here is another example to illustrate my point. We were working with an apparel manufacturer that was doing business with a very large and trendy store headquartered in Los Angeles. We had been monitoring all of our apparel accounts debtors at the time since this was around the period of 2009 when the financial crisis was just starting to rear its ugly head. We had noticed that this one particular debtor’s credit rating had taken a significant drop while their DBT (days behind payment terms) had increased dramatically. We notified our client that we would be taking a precautionary step and lower his available credit with them. The client responded by giving us an ultimatum that if we did not fund all of his invoices with this customer he would be seeking another factoring company. After further explaining our position, he insisted we fully fund this customer. As it turned out, he did wind up leaving our company and the account debtor wound up filing Chapter 11 within six months. It doesn’t always work out this way but sometimes an ounce of prevention is worth a pound of cure.

So what are some of the best ways to safeguard your company from client and account debtor issues? Fortunately, many credit vendors serving the factoring industry provide monthly monitoring for liens, taxes and credit. We are notified directly by email if there are any new UCC filings pledged against our client or if there has been a change in credit in our client’s customer profile. This allows us to quickly contact the client to get an explanation about the inquiry.

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Business Development: Be a Bridge

“Sales people are not needed to quote prices. They are the bridge between the selling price and the perception of value provided to earn the sale.”

– Jeffrey Gitomer

For some prospects, it’s their first (big) step across a great unknown: finance, factoring. They don’t need a canned pitch, they need to feel reassured; they need to believe your service and financing package is a ‘bridge’ to their next day, their next year in business.


The bridge approach will meet both your, and – most importantly – the client’s need.

If you don’t want your services to become a commodity, there has to be more to it than pricing – you need to be selling differently: better. There’s really no secret. The key is in your approach. The ‘bridge’ you can create and provide comes from being a good listener – giving information that is meaningful and understood by your prospect. You have to ‘read’ each unique prospect, and that comes from listening.

Another key: use words that make your service and product ‘better’ and appealing. Words are powerful, as they say. There are words we use in the industry that make us sound in-the-know with peers, but industry jargon rarely resonates with prospects. A personal anecdote: I will never forget the time I was meeting with prospects and someone asked them: “What kind of facility are you looking for?” I saw them looking at each other and finally the company owner said, “Oh we have a facility; we don’t plan on moving.” I knew we had gone beyond their level of sophistication in the finance world. A bridge too far, one might say. Read your prospect. Listen. When you listen first, you know how to respond.

I don’t have a canned sales pitch or a hard and fast elevator speech. It sounds disingenuous. Know your business so well that when asked, you speak to the very things they need to discuss and want to learn. Be a bridge to their understanding.

Paint a picture. Tell the story; the ‘right’ story for that individual prospect. And the only way to do that is to listen to their story first. If they have several people in the office that are family members and you “sell” the fact that you can get all monies collected timely through your collection efforts, you’ve just eliminated paychecks for each other and finally the company owner said, “Oh we have a facility; we don’t plan on moving.” I knew we had gone beyond their level of sophistication in the finance world. A bridge too far, one might say. Read your prospect. Listen. When you listen first, you know how to respond.

I don’t have a canned sales pitch or a hard and fast elevator speech. It sounds disingenuous. Know your business so well that when asked, you speak to the very things they need to discuss and want to learn. Be a bridge to their understanding.

Paint a picture. Tell the story; the ‘right’ story for that individual prospect. And the only way to do that is to listen to their story first. If they have several people in the office that are family members and you “sell” the fact that you can get all monies collected timely through your collection efforts, you’ve just eliminated paychecks for

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several family members. Perhaps a better approach to that situation is discussing your credit guidelines to ensure their staff isn’t making effortless calls on companies that never plan on paying their bills in the first place. A picture of their business. A bridge to their understanding.

Being a bridge. Painting a picture. Business development and sales is certainly not always about the pricing. What is often termed “consultative selling” is about the relationship you build with that prospect. How comfortable are they with you interfacing with their customers? This is a value proposition. Do they perceive ‘value’ in working with you?

Nothing speaks more to your prospect than a real life story and one that reflects some of their current challenges. A story – a picture – can plant an image in their mind as to what you can do to make that an even prettier picture – providing a helping hand, a bridge.

In the factoring industry, I’ve seen more “transactional” type selling, than not. Transactional selling is a short term sale: you know they need money and that is what you sell them. It may also be the only thing you sell them! And there are certainly transactional buyers - those looking for the ‘best deal’, based purely on price. This type of prospect is common in transactional businesses; those businesses without long-term customers.

In some industries – hauling dirt or fixing a broken window, for example—these are typically one-time services, and not geared to use your services again.

So if you’re visiting with a prospect and you know it will be a transactional sale and that’s okay, and you can offer them money in 24 hours and they don’t have to sign long term agreements, that might work for them and you, but...for how long? When I’ve landed those types of transactions they are usually here today and gone tomorrow; that’s a lot of business to have to continue to replace monthly.

If you’re looking for long-standing clients that you’re not having to replace regularly, transactional selling and one-time prospects probably are not for you. No bridge or story needed.

The key: Listen. Prospects looking for a long-term relationship ask questions and they want to be consulted. They recognize this is a significant step they are taking. The ‘relationship’ prospect is seeking to create a business partnership. If you’re not listening, painting a picture, being a bridge (i.e. you’re just talking pricing), you just missed a sale!

Be a Bridge. Be valuable. Listen – because the prospect needs to be heard. •

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What charities are you involved with? What causes are nearest to your heart?
Vanessa Behan Crisis Nursery, Graceson Housing, Meals on Wheels, Living the Dream Foundation, Teen Closet, Christmas for All, Catholic Charities. We value the charities and foundations that have dedicated their efforts to women, children, and those in need.

How did you become involved in these charities?
The officers of Universal Funding have personally been involved in helping charities for many years. We are blessed to be able to assist the charities through the company now.

Where do you see it making a difference?
We made a significant impact with the local charities to ensure they have the working capital to open new locations and ensure they can facilitate more for those in need.

How has volunteering affected you? Has it influenced your business?
Simply put, volunteering makes me whole. It has a very mindful impact on our company and our employees; it brings all of the employees together to bring good to our community.

Why is giving back and helping these organizations important to you?
I see the need to help those who are less fortunate, and we are so fortunate to be able to assist.

Do you have any corporate-wide program on volunteering/charitable giving?
As of now, we do not, but are establishing that in 2015.

How can we learn more about the charities you are involved with?
You can find all of them online at http://www.universalfunding.com/our-involvement/.
**AFA UPDATE**  
Continued from page 20

the Operation, the effect on many of us has been significant and quite negative. We are now working with the federal bank regulators in an effort to get the word to bankers that factoring is not an industry that the regulators find questionable. We have made progress, but we realize there is much to do in order to have this message reach the bankers in the field.

The AFA is your voice in Washington on these and other matters. Please support our efforts. •

*Founded in 2009, to provide a unified voice for the factoring industry, the AFA is dedicated to promoting and protecting the interests of the factoring community. The AFA board is made up of volunteers who devote time and their own funds to travel to Washington, DC on behalf of the factoring industry.*

**SMALL TICKET FACTOR**  
Continued from page 27

Many of these services come with a monthly service charge but are well worth the expense to protect your company’s assets. There are also many systems you can put in place at no charge as part of your due diligence. In most states, licensed contractors can be checked through government websites to ensure they are in good standing or to see if there have been any negative filings by customers. In California, factoring companies are required to have a license under the California Finance Lenders Law. To see if a lender is in good standing, just go to the California Department of Corporations website to search the company.

Although there is no foolproof way to pick a winner of a client, there are methods you can employ that let you know of the danger signs. Keep picking the winners; they’re a lot more fun! •

**GROWING EXPORT SALES**  
Continued from page 17

successfully, including credit analysis of foreign debtors, technical assistance, and training for factors and their exporting clients.

Meridian Finance Group works with exporters and factors to arrange export credit insurance solutions that benefit all parties. We specialize in brokering export credit insurance and have helped hundreds of US exporters to expand their international sales. We work with every insurance company and government agency that underwrites export credit insurance, so in each situation we can offer the best insurance coverage at the lowest premium cost. •

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