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A WIN-WIN-WIN SITUATION
THE IMPORTANCE OF CLIENT ON-BOARDING
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The schedule for the IFA’s 2014 conference has just been released and it will be another incredible event.

The conference will be held April 9-12, 2014 at the iconic Westin St. Francis in San Francisco, CA. We will be offering more sessions and speakers than ever before. We will also be offering more time for you to network and meet with fellow conference attendees. Some of the featured sessions are:

- Jeffrey Ma – Inspiration behind the movie 21
- Christopher Thornberg – Economic Forecast
- Point / Counterpoint – Discussion of relevant factoring issues
- International Track
- Dean Karnazes – Overcoming Adversity by one of the “Top 100 Most Influential People in the World”
- Trends in ABL
- Patrick Renvoisé – Neuromarketing
- And much more

Details about the conference can be found on page 20 or at www.factoringconference.com

This issue also marks the final article from both John Beckstead, Esq. and Jeff Callender. Both of these authors will still be around; they’ve just decided to take things a bit easier.

John has been writing our legal factor column for over 10 years. In that time, he has always contributed a timely and relevant article. Not only has he helped enhance the IFA with his hard work and his wisdom, I think he has helped educate all of our members. Taking over the legal column will be Steve Kurtz, Esq. Steve is co-counsel for the IFA and has been a long time speaker and contributor at our events.

This is also the last article from Jeff Callender. Jeff has been writing our column geared towards the small factors. As an accomplished author, factor, software developer, and leader in the industry for small factors, his articles have proven to be insightful and informative. Jeff’s books are for sale in the IFA’s store on our website.

The IFA’s summer courses have all proven to be excellent. We just completed our first training course in New York, and the attendance at this course, as well as all of our summer courses, have exceeded our expectations.

As far as my progress, I’ve found that there is really nothing that I cannot do. I’m in the office full time and pretty much back to my old routine. Although I’ve had to learn new techniques for most tasks, and some things take a bit more time, my injury will not hinder me from whatever it is I choose to do.

Thanks again for your support, and I look forward to seeing you at a future IFA event!

Bert Goldberg
PERSONNEL

Gibraltar Business Capital Hires Scott Chamberlin, SVP Loan Originations
Based out of Boston, MA, Scott is responsible for new business development in the Northeast Region. Scott has extensive experience in asset based, factoring, and technology lending, having founded the Technology Banking Group at Bridge Bank in 2005. Scott is a member of the CFA, TMA, and ACG of New England as well as past President / Chairman of the Northern California Commercial Finance Association.

Gay Denny Joins First Business Factors as VP in St. Louis
Gay Denny joins First Business with 20+ years of experience helping privately-held businesses access the capital necessary to survive, grow, and flourish. Gay is active in the Turnaround Management Association, the Commercial Finance Association, and the Missouri Independent Bankers Association.

Crestmark Welcomes Team Members to Transportation Division and Newly Created Trade Services Division
Scott C. Doyle, VP, Account Executive, will report through Ray Zilke, First Vice President - Portfolio, and will work as a part of Crestmark’s Transportation Division located in Franklin, Tennessee. Scott joins Crestmark with more than 29 years of diverse experience in the finance industry. In merging its Florida and New York City operations, Crestmark Trade Services will leverage its national platform, diverse delivery systems, human capital and bank strength to further support its national client base. Jason M. Goldberg has been promoted to First Vice President, Managing Director of Crestmark Trade Services. Mindy Spiroch has been promoted to Vice President, Traditional Factoring Operations. Kalli Perez, has been promoted to Assistant Vice President, Traditional Factoring Account Executive.

TAB Bank Names Jan Allen Ackley VP of Asset Based Lending
Jan will be based out of TAB Bank’s corporate headquarters in Ogden, UT and will oversee all personnel, operations, and functions as it relates to TAB’s growing portfolio of Asset Based Lending clients. Jan has amassed over 24 years of overall banking experience with Comerica Bank, Key Bank, LaSalle Bank/Bank of America, Provident Bank, and First Bank.

Bibby Financial Services Names Calum Williamson Head of Operations, Canada
Calum will be responsible for managing the operations team and growing the portfolio while mitigating risk and ensuring that clients receive industry-leading customer service. He will report directly to Bob Lall, Managing Director, Canada. Calum brings 16 years of commercial finance experience to the Canadian team. He previously held the position of Managing Director, Bibby Financial Services, Scotland, where he was responsible for boosting profits by almost 70% while having the highest client recommendation score of all of the Bibby Financial Services UK offices.

INDUSTRY TRANSACTIONS

King Trade Provides $750,000 Supply Chain Finance Commitment
A financial consultant introduced KTC to their client who was seeking to establish a supply chain finance facility to support the purchase of inventory needed to fulfill a large order from a major retailer. Using letters of credits for overseas suppliers and cash payments to domestic suppliers and logistics companies, KTC offered a supply chain solution that allows the client to grow.

Crestmark’s Recent Transactions
Crestmark secured a total of $3,700,000 for four new clients in the first two weeks of August, and $3,250,000 for three new clients in the first two weeks of September.
**Gateway Trade Funding’s Recent Transactions**
- $250,000 facility for importer of tablet PCs selling to major retailers;
- $750,000 facility for importer of women’s apparel selling to major retailers;
- $1,400,000 facility for importer of die casting products selling to large OEMs;
- $500,000 facility for importer of sporting goods products selling to major retailers;
- $1,000,000 facility for importer of oil drilling products selling to large OEMs;
- $250,000 facility for importer of toy related products selling to major retailers.

**DS-Concept Factoring, Inc. Provides $3 Million Non-recourse International Accounts Receivable Facility**
DS-Concept was introduced to the distributor of home goods by the company’s bank, whose credit facility excluded foreign accounts receivable from their borrowing base.

**Utica Completes $4,250,000 True Equipment Lease**
Utica announced the completion in the second week of September of a $4,250,000 True Equipment Lease for an Oklahoma based pressure pumping services operation for the oil and gas industry. Utica was able to provide the needed working capital support by unlocking equity which existed in the company’s current pool of Frac Pump Trailers, Tanker Haul Trucks and additional machinery and equipment.

**OTHER INDUSTRY NEWS**

**First Corporate Solutions Launches Online Due Diligence System for Lien Searching, UCC Filing & Portfolio Management, and Monitoring**
This version of their proprietary online system features a user interface with cross-browser compatibility and centralized management to support all user due diligence activities including lien searching, UCC filing and portfolio management, and monitoring. Visit FCS online at http://info.ficoso.com/fcsonline to schedule a free system demonstration.

**Crestmark Named to Inc. Magazine’s List of Fastest Growing Companies**
Crestmark is ranked 44th in the metropolitan Detroit area, 70th in Michigan, and 3026 nationally. Inc. Magazine measured revenue growth of privately held, for-profit, independent companies from 2009 through 2012.

**Gateway Commercial Finance Earns INC. 500/5000 Recognition**
Gateway Commercial Finance, LLC is a recipient of the INC 500/5000 for 2013, representing its nomination two years in a row as one of the fastest-growing privately held companies in the United States.

**TAB Bank Receives Bankrate.com® Top Tier Award**
TAB Bank received the Bankrate.com® Top Tier award for consistently offering annual percentage yields (APYs) that were among the highest reported in 100 Highest Yields® for 2nd quarter 2013. The Bankrate.com® Top Tier award assists individual consumers in identifying those institutions that consistently offer high-yields on their FDIC-insured deposit products.

**Paragon Financial Announces Partnership and Lending Facility with BankUnited**
Paragon Financial will be working with BankUnited, providing financial and factoring programs to clients that are not ready for bank financing. This partnership will assist growing business, with monthly sales up to $3,000,000, with their working capital needs through invoice factoring, receivables financing, credit protection, purchase order financing, government factoring, trade finance, and vendor guarantees.

**Gateway Trade Funding’s Recent Transactions**

- $250,000 facility for importer of tablet PCs selling to major retailers;
- $750,000 facility for importer of women’s apparel selling to major retailers;
- $1,400,000 facility for importer of die casting products selling to large OEMs;
- $500,000 facility for importer of sporting goods products selling to major retailers;
- $1,000,000 facility for importer of oil drilling products selling to large OEMs;
A Win-Win-Win Situation

I want to work with people that know I am genuinely interested in the success of their company. Listening to a new factoring client’s story is fundamental to the success of the factoring relationship.

BY AMY BALCIUNAS

How many times have you gotten off the phone with a customer service representative and been overwhelmed with frustration, irritation or annoyance? Whether with your bank, your credit card company, or just a retail store, you were in pursuit of resolution of an issue you had with their company, and the customer service person was reading a script and just did not understand you – or worse, they weren’t trying to understand your problem. This awareness of potential customer service frustration is what drives me in managing my clients – I want to work with people that know I am genuinely interested in the success of their company. Through this, I have found that listening to a new factoring client’s story is fundamental to the success of the factoring relationship.

We recently had a take-on where the initial verification process for a service business took much longer than expected – what should take 2-4 business days turned into more than two weeks. Everybody was frustrated; the client needed money, and we had invested the time and wanted the deal done. The issue was the debtors could not verify the invoices. Every single debtor spoke highly of the prospective client, enjoyed working with them and appreciated the services they provided. Something was not adding up. A day into the verification process, we had to take a few steps backwards with the prospective client; how they thought their business was running wasn’t quite matching what we were finding out during the verification process.

It turned out that the breakdown was internal with our prospective client. They were billing invoices in advance of the services being completed – but they were “allowed” to; their contract with the customer said they could. The client initially didn’t think it was a problem, as they knew we were calling the customers, and by that time, all the work had been done. It took time for our prospective client to understand the business implications of this process. Even though the contracts allowed them to invoice
their customer, their customer was not actually beginning the process of approving the invoice and submitting through their internal accounts payable process for payment, much less submitting payment, until the services were completed 100%. This led to 1) aging invoices; 2) customer confusion as to how the invoices could be “overdue” when work was not finished yet; 3) customers misplacing invoices in the 2-8 week lapse of invoice issued to services completed timeframe; 4) overbilled invoices. The cherry on top was that the prospect was unwilling to ask their customers for payment. Even when the project was complete and weeks were going by, some of the large Fortune 500 customers weren’t paying because invoices had been lost along the way in their complicated billing system. The prospective client didn’t want to upset their prized customer; they needed new business from them and perceived requesting updates on payments as a scarlet letter – no one should know they actually needed the money for the work they were doing. While I tend to limit my gambling to a blackjack table in Vegas, I would bet money here that most everyone has encountered a similar story.

We’ve all heard that there is no black and white in factoring – it is all gray, and no one wants a one-size fits all approach. This is true for managing the clients. No two clients are ever going to have the same need, be in the same situation or share the same pain. In our situation, we had to listen to what our prospective client’s business process was, from sales to billing their customer. We had to listen to the reasoning that their contracts with their customers allowed them to bill prior to service completion. We had to listen to why the prospective client was unwilling to follow up with their customers for payments when the project was completed.

When managing any client, you must choose to listen – it is a skill, and it does require concentration. Here are a few lead-ins that have helped me figure out “how” I need to service a new client:

- Are they a startup company, and no other traditional funder is willing to give them the time of day?
- Are they experiencing a period of increased sales?
- Do they need interim financing because a bank is asking them to leave?
- Are they pursuing bankruptcy funding for a reorganization plan?
- Are they moving on from a prior factor – what are the positive or negative reasons why?

This allows the Factor to recognize how they can help the client with their cash need based on how they got there. We have to listen to find out what is important to them.

- Do they want to grow their business with the funding?
- Are they looking to be able to make weekly payroll with no stress?
- Do they need back office or collection support?
- Are they looking to take advantage of supplier discounts?
- Do they value flexibility?

This allows the Factor to identify the strengths and weaknesses of the transaction. We have to listen to how they do...
business.

- How do they receive new sales from their customers?
- What is the sales process from beginning to end?
- What documentation do they think their customer needs to pay an invoice?
- Are there allowances, rebates, bill and hold terms, consignment, warranties, guaranteed sales?
- What type of quality control does the client have in place?
- Do they have their own credit policy, and what is it?

This allows the Factor to tailor the verifications and collection process to be the most efficient and effective for protecting and collecting the Factor’s collateral.

We have to listen to what their excitement is – what drives them?

- Do they have a new product coming out, or are they offering a new service?
- Do they have a competitive advantage in their market?
- What does their sales pipeline look like?
- Are they planning to move into a larger warehouse or manufacturing plant?
- Are there economic factors that will affect sales?

This allows the Factor to be aware / sensitive / interested in what the client is looking for from the funding; what is their “carrot,” and can we help get them there or support them in the pursuit?

We have to listen to what their concerns are.

- Does all of client’s management team have the “buy in” as to why factoring is the funding solution for now?
- Are their customers going to be upset, difficult, or refuse to work with a factor?
- Do they have the perception the factoring company is going to be too rough with their customers?
- Are they burdened by their inability to pay upcoming tax payments or insurance premiums?
- What have they struggled with in the past; is their prior performance/financial status a good prediction of their future performance?

This allows the Factor to determine management competence and character, and also to be forward thinking in what the red flags could be on this specific client account, and aware of what could lead to possible deterioration down the road.

With the time, effort and cost a Factor incurs in bringing on new clients, it is important to be relationship-focused, because finding a new source of money from year to year can be challenging for clients. There is competition in the factoring industry everywhere you look – better fees, better terms, better advance rates, and better services. While not all factoring companies can compete at the same level, based upon many variables – cost of funds, access to capital, lending criteria, risk tolerance, management expectations – I believe all factoring companies have the opportunity to compete at the same level when it comes to customer service. I have high expectations for how others should be treated, so I need to always remind myself that for my clients, it starts with me. Doing every part of the process from sending money out to collecting the money back is so important; however, all Operations staff should be empowered to think, to understand and to listen to their client. By actively listening, you will build commitment and loyalty without too much extra effort. Obviously, there’s a line in the sand, and we aren’t therapists; we have a job to do, but sometimes taking the extra few minutes to listen to a client’s pain, strain or gain will tell you more information about your client’s situation than just keeping your head down in the paperwork.

Your operations team is the most valuable part of the organization, as servicing customers can drive a Factor’s reputation and brand in the market. You will learn a lot more about your client and what motivates them by listening to them than solely verifying invoices, funding receivables, and reviewing financials. While our prospective client originally thought they needed factoring to help with their cash flow because their customers were paying around 65-120 days, through active listening and willingness to invest the time, we realized they needed a process to help organize their back office. It turned into a win – win – win situation. Win = we helped the client streamline the process of invoicing their customers upon work completion. Win = we have worked through what the individual process is at each customer’s operation to be certain the invoices are submitted to the right people, which has resulted in invoices paying within terms, and customers appreciative of having invoices received when work is completed. Win = we are happy, as we have a client that is performing well, and the receivables are turning.

Amy Balciunas is the Executive Vice President of Sky Business Credit, LLC and has been involved in the factoring industry for over 10 years, starting as an account executive managing clients, underwriting and structuring transactions, overseeing the credit department, and currently managing the client portfolio. Amy was one of the first to achieve the IFA’s Certified Factoring Account Executive designation and is involved with the National Association of Credit Management. Amy has a Bachelor’s of Science in Finance from the University of Illinois Urbana-Champaign. Amy can be reached at 630-541-7161 or amy@skybusinesscredit.com.

**IFA CALENDAR OF EVENTS**

**OCTOBER 14—15**

Sales & Marketing Training Class
Planet Hollywood, Las Vegas, NV

**OCTOBER 17—18**

Advanced Factoring Symposium
Planet Hollywood, Las Vegas, NV

**JANUARY 22—24**

2014 Presidents & Senior Executives Meeting
Frenchman’s Reef & Morning Star Marriott Beach Resort
St. Thomas, US Virgin Islands

**MARCH 4**

Luncheon Meeting with NYIC
Arno Ristorante, New York, NY

**APRIL 9—12**

2014 Factoring Conference
Westin St. Francis, San Francisco, CA

For details about IFA events, please visit www.Factoring.org
There are Two Sides to Every Story, and Sales Training Program

It is said that people are born a certain way. The term is used to describe some of the greatest men in history as “born leaders”. Then there are the divine gifts at birth to explain certain sports heroes supposedly born with with “God-given talent”. There’s even a term for the downtrodden, such as the Chicago Cubs being “born losers” (sorry Cubs’ fans, but 105 years and counting deserves some recognition). Even successful BDO’s are coined “born salesmen”. And while I agree that there are some people who were born with traits that make them a perfect fit for a certain profession or position, the vast majority of people become who they are through education, experience and good ol’ fashioned hard work. This partially explains why there are quite a few successful salespeople that originate from the credit and operations side of the business. They understand the product inside and out, and now just need to learn sales techniques. Why then do so few Factoring companies provide credit and operations training for their salespeople? They presumably hired people who know “how” to sell. Shouldn’t they now teach them “what” to sell?

Bridging the Great Divide

Yes, most companies have some sort of training program that they put their new salespeople through. And yes, it will probably include some cursory exposure to the credit and operations side. But merely running through what happens to get a deal from application to funding is like showing a kid how to operate a car, then handing them the keys. Some will surely muddle through, but most will end up running into situations that they can’t adequately handle. And unfortunately, a fair amount will simply crash and burn. Maybe this somewhat explains why there’s so much turnover in the sales ranks in the factoring industry.

No one would argue that it is easier to sell something that you completely understand than something you don’t. But few firms choose to invest the time necessary to properly train a BDO in the ins and outs of the daily factoring process. Of course, even the companies that do make the investment upfront rarely reinforce this education with ongoing ‘refresher’ programs. So over time, the initial knowledge acquired fades. I still hear veteran salespeople say that they don’t understand why their firm requires this or that. Or the BDO wonders why their firm won’t do something that some other firms will. And then there is always the question, “If we don’t trust the client, why are we funding them at all?”

In the Beginning...

There’s a saying “speed kills”. Except in Factoring. Veterans understand that the quicker a prospect can be turned into a client, the better. Every day a prospect remains a prospect, the greater the odds something will get in the way of ever closing the deal. First and foremost is the dreaded large payment of A/R. Suddenly the urgency abates and the prospect steps back to further evaluate all of its options. With everything back on the table, anything can happen. Only one of those “anythings” involves the Factor closing the transaction. And even if it still closes, the extra time allows the prospect the opportunity to further negotiate the transaction.

If there’s one complaint that resonates through a sales department more than any other, it’s that their operations department doesn’t get their deals booked quickly enough. Basically, they feel there’s no sense of urgency in credit & operations. The funny thing is, the person with the most control over whether a deal closes in below average time or above average time is the BDO. Notice I use the words “average time”. Every Factoring company has their particular underwriting process and there is little to nothing a sales department can do to change it (and we can all thank God for that). But BDOs still control how deals move through that process. And as usual, it’s all about correctly performing the two most basic of steps. Step One: get the complete package. Underwriting processes are designed to address certain items in a certain order depending on the Factor’s internal credit criteria and their outside

Thomas G. Siska is Senior Vice President of North Mill Capital, LLC. Tom is a 24 year industry veteran who has built several factoring operations. He can be reached at 609-917-6228 or TSiska@NorthMillCapital.com.
vendors’ capabilities. When an item or items are missing from the package, it takes everything out of sync. To make matters even more complicated, almost every Factor underwrites multiple transactions at a time. So when the application package gets stalled because something wasn’t done as quickly as it could have been, the BDO needs to understand that it is, many times, them that caused the problem. When a complete package is handed in, things rarely slip through a crack. Juggling several underwritings at various stages of the process with something missing from each is a clear recipe for a problem.

Then there’s the other reality when dealing with incomplete application packages. The one item that the prospect is delinquent in submitting is, many times, delinquent for a reason, and the reason isn’t good for the BDO. Prospects aren’t as ignorant to what we do as we’d like to think they are. Almost all of them have already been turned down by some other financing source, usually a bank, before applying with us. So they know the reason(s) for the decline. They hope that by holding back that one item, either the Factor will ultimately proceed without it or the Factor will be so far into the process that they choose to make an exception even after receiving the bad news. Be prepared to give the prospect the “reason” you need the item (hopefully you’ve been trained as to why each is needed). Just saying “we need it because it’s part of our process” isn’t going to instill the sense of urgency you want from your prospects. Then we get to Step Two: review the complete package.

All factoring prospects are our prospects for a reason. There are surely negatives in every package. The only questions remaining are “how many” and “how big”? Even though all BDOs have the knowledge to ask about the issues during their discussions with the prospects, not all are wise enough to understand that either the issue will be “candy coated” or not all of the issues will be divulged. A simple, but thorough review of the complete package will allow the BDO the chance to get all the issues on the table before presenting to underwriting. Again, allowing something obvious to slip through unanswered ends up gumming up the works and slowing down the process. Take control, BDO, you have far more than you appreciate. Learn what is expected and deliver. Of course, you can only learn if your company is willing to train you.

**Prospects Buy from People They Trust**

Everyone has a fear of the unknown. Prospects most fear what goes on with their invoices and customers after they sign the Factoring Agreements. Therefore, allaying these fears is the surest way to get the prospect to sign with you. Your answers need to be accurate and confident. This can only happen if you have been trained upfront on the full ins and outs of backroom processing. Maybe even to the point where you could actually help out in an emergency (I know, God forbid!). The confidence can only be maintained through ongoing “refresher” training. A properly

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I started in the Commercial Finance Industry over 26 years ago; I spent the first 20 years in the software industry and the past six years on the factoring side. Initially, the software company was a large ABL platform, and then tailored down to PC small ABL software, evolving into detail invoice tracking which became Factoring software. Factors required modifications to the system to prevent fraudulent or misguided client behavior. We created various protections – duplicate invoice tracking, no future dated invoices, warnings when clients and debtors were going over credit, audit letters, debtor statements, and tracking Notice of Assignments, to name a few. When training clients on how to use the software, I learned about the various industries that needed the assistance of factoring, and we would discuss the best method to utilize the software when performing operations or monitoring their portfolio.

With this knowledge, I left the software company and went to work for a factor. I knew operations well and heard all the stories of client fraud. Regardless of this information, there have been a few clients who went rogue on my watch. Problems occurred, regardless of the procedures we had in place. Our portfolio was growing quickly, with an increase in daily funding demands, and new staff to train - it is hard to find employees that know about factoring, much less understand the procedures. I think the account executive class at the IFA should occur, at the minimum, every six months.

One problem occurred with a long-term client that was allowed to continuously flow through our system without strict procedures in place. Thankfully, an alert collection staff member noticed a regular ACH debtor had stopped making payments. We called the debtor and were told the client had them change the payments to the client’s bank account. We defaulted and stopped funding; fortunately, we were able to salvage the client and resume funding. We now have strict procedures going forward, but it was a headache we could have avoided. In hindsight, the majority of the issues occurred because we did not perform a proper on-boarding call.

The most important step in preventing a variety of client issues is the initial on-boarding call.
You should reserve an hour or more for the Client On-boarding call, which provides detailed information regarding your program, the steps regarding initial setup, initial funding, and processes going forward. The on-boarding call and information you send to the client is based on the niche they belong to. Depending on whether it’s general factoring, rediscounting, construction or transportation, the procedures and information requested will vary. I have a separate on-boarding checklist for each individual niche.

Note: The on-boarding call can be extremely difficult if the client does not know what is expected of them in advance – therefore it is very important for the BDO’s to know your procedures – I have a flowchart that we have reviewed at our quarterly meetings and continue to discuss.

Prior to the call, I email the client attachments of what will be discussed. The email includes: the Client Procedure Manual, Notice of Assignment for them to sign and return, excel spreadsheets for customer information and invoice importing, and schedule of accounts for funding requests. I ask them to print out the Client Procedure Manual and have it available for everyone on the call. I also suggest their accountant or controller is on the call as well; then we are able to discuss the accounting process.

I start the call with the Client Procedure Manual – literally reading all pages and pausing to ask if they understand the various topics. The manual includes some of the following:

- Customer (Debtor) Verification and System Setup
- Initial Funding Procedures
- Notification and Audit Procedures – to include sample letters
- Debtor statements are sent out monthly to all debtors. For the Factor, I cannot stress enough the importance of debtor statements. This is how we find out about invalid invoices, and it decreases the DSO.
- New Debtor Review – the importance of contacting our credit department prior to establishing a relationship with the debtor, to ensure they are creditworthy, and a limit is established.
- On-Going Purchases – emailing us invoices, supporting documents,
The Commercial Factor

September/October 2013

After reading the manual, I discuss at length the Notice of Assignment letter, that it goes to all debtors and only we are allowed to release the notification. As mentioned above, our client, who was desperate for additional funds, was able to redirect the debtor’s payment. We stress to debtors when making our verification calls that this notice is only to be released by us – this is tough, because you are trying to develop a positive relationship with the debtor, and you do not want to alarm them. Therefore, we continue to verify our payment information on collection calls. Quite frankly, I am not sure how you completely protect yourself from misdirected payments.

I am very fond of spreadsheets; importing data is quick and saves time. I send templates to the client for invoice and debtor contact information. I also walk them through downloading their data to the templates. Initially, the first few files will be incorrect - it’s easier to just fix the imports yourself, but if you do that the first time, you will end up fixing it every time. The contact information, once imported, is then verified with Google to ensure the phone numbers and addresses match what we have imported.

During the on-boarding call, I use a checklist to ensure all items are covered. By the end of the call, they should understand that, prior to the first funding, all of their customers will be notified, credit limits established, and all invoices will be verified on the first funding. It is very important to listen and repeat their questions back to them – typically, factoring is a new concept for them, and the procedures may be overwhelming. I have found out on several occasions that there has been miscommunication on the call, even after reading them the manual.

We also provide rediscount funding; this is difficult because you are once removed from the debtor. The Factor’s
client becomes your debtor, and the customer your account; this can be confusing when importing the data and monitoring the aging. The on-boarding process for this call will be completely different. The information requested differs - the following are in the procedure manual for rediscout clients:

- The factors lockbox is locked by their bank via a contract between the bank, the factor, and yourself. Collections are swept into your account on a daily basis.
- Copies of all notification letters, initially and going forward.
- All debtor addresses and contact information for the factored clients on an ongoing basis.
- Borrowing Base Certificate (BBC), invoice import spreadsheet, invoices along with backup (yes, your server will fill up quickly), and current aging.
- Periodic Invoice verification calls will be made by you on the factors behalf.
- The factor may submit invoices on behalf of the client that are invalid, to increase his BBC.

It also helps when the factor is not making proper verification calls - you can stop a fraud for the factor.
- Access to the factors database; however, if they divert funds, you will be locked out of their database.

To reiterate - Rediscouts clients are difficult because you are once removed from the debtor. If a factor has been in the business a long time, they are knowledgeable on how to best divert funds. Once this occurs, you obviously stop funding, but it’s a quick race to get your funds back. If you have been acting on their behalf and know the client’s debtors, it will be easier to stop the diversion. I have learned a lot about this niche and the issues that arise; if anyone would like to discuss, please feel free to call me.

Regardless of how well the on-boarding call goes with your client, without continuous communication with your client and their debtors, problems may arise. No matter what is being done in the factoring space, whether it is rediscouting, participations, or ordinary factoring to small businesses, it is important to lay out the groundwork for a strong, reliable relationship by ensuring that the on-boarding process takes place, and that we factors continue to notify and verify everything.

Gail Winther is the Director of Operations for RMP Capital Corp. Prior to joining RMP Capital Corp., she was the Vice President of Distinctive Solutions Corporation, a provider of software for the Factoring and Asset Based Lending industries. She was with Distinctive Solutions for 20 years. Gail has worked with over 500 factoring companies and brings to RMP Capital her extensive knowledge of the industry, as well as her experience in overseeing the daily operations of a corporation. She can be reached at 631-630-9279 or gwinther@rmcapital.com.
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factoring.org

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.

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.

REGISTER TODAY!

"THIS HAS BECOME THE MUST ATTEND EVENT OF THE YEAR."
Notify, Verify, Identify...and Connect!

BY BRIAN CENTER

The basic tools still remain the core of what factors and finance companies utilize… Notify, Verify, and Identify (trends)... As an industry, we focus on and discuss numerous tools and topics that relate to our journey. Things like credit evaluation, fraud detection, legal remedies, workout strategies, attributes of the Code, pricing models, etc. The continued discussion, training, and focus on all these tools, topics and more, have served us well, and we would have no industry without them. However, there is an additional tool that is instrumental to our success. It is far less concrete in definition and difficult in execution, but equally as powerful as any other tool referenced. Many use “it” now and have built factoring and finance companies using “it” as a pillar of their quest. What is “it”? The “it” is Connecting.

Connecting is based on trust and respect. That trust and respect can only be developed through honesty, effort, and a willingness to be transparent with both clients and teammates. Your clients and your teammates should be able to believe they can count on you to do the right thing and to care about the things that matter to them, as well as the things that are important to you.

Connecting With the Client

Connecting is really about relationships. For just a moment, consider a client to be someone in your life that has a stature almost equal to your most valued relationship… maybe as close to you as a spouse, partner, child, parent, dear friend or confidant. Someone who you believe has your back and you have theirs. That feeling is what a true relationship is all about. Why can’t that be how you interact with your clients? No doubt, given that money is at risk in your relationships...
with your clients, the stakes are raised tremendously. That very fact justifies Connecting with your client almost as well as you do in your most valued relationships.

Clients certainly represent opportunities to generate income, but candidly, they can be much more than that. Clients are “captained” by their owners or principal. It is extremely beneficial to know what drives the owner or principal. In order to Connect with them, you need to understand what their true goals are... what really is driving them to succeed. They are in business for a reason; what is it? The initial answer to that question is generally not the root answer. Often the business owner will highlight their desire to make a substantial amount of money. But dig deeper; why make a lot of money? If you can get to that answer, you can frame everything that you do in terms of managing the relationship back to that reason. That becomes the building block for almost every interaction between you and your client. You have Connected. Connecting and developing relationships is a perpetual journey.

For example, we have a client who wants desperately to prove to his father that he is a success. Our financing, in a roundabout way, accomplished that. Only after numerous meetings did the client finally reveal the real reason to us. Prior to that, he mentioned the need to have a finance company believe in him, and the need to have a finance company understand billing challenges in his industry, and the need to support growth, etc. We have talked little of those issues since we booked this client in 2008, but we have often talked about his future and the opinion of his father in regards to the business. Every single interaction between us and the client has been based on that desire, and certainly, when significant issues arise, the fundamental variable tying our efforts together ties back to the client’s need or desire to prove his worth to his father. Now the client is beginning to consider goals for his business and life beyond considerations of his father. And guess what? We are instrumental to him in discussing and developing these goals. That is a client for which, to the fullest extent possible, we have his back and he has ours.

Why is Connecting like this important? In the simplest terms, all of us want to be heard and understood. When your client believes that you understand them, that you truly value his or her goals, the likelihood that they will ever violate your contractual agreement is severely diminished. Certainly, desperate people do desperate things, but if your client knows you have their back and its okay to be desperate, then the client has minimal motivation to not do the right thing. The client has maximum motivation to reach out to you for help. Connecting creates an environment wherein losses are minimized, and it fosters the likelihood of long term relationships. The client that wanted to prove to his father that he is a success is reaching out to us to develop his personal goals. Will he likely leave this relationship for a cut-rate cost of funds or for a more aggressive advance rate? Not likely.
When that level of a relationship is achieved, when you Connect, you minimize loss risk and maximize that source of revenue for what may be a lifetime.

**Connecting with Teammates**

If you have Connected with your client, chances are you’ll have an opportunity to collaborate and share ideas with your client as to how to tackle problems, how to dig deeper into issues that may be causing difficulties, etc. In essence, the client feels comfortable in revealing the truth about issues to you. By Connecting with your client, you employ the most effective style of client management. But what about management styles within your company? Connecting with your employees and teammates is as important as Connecting with your clients.

Connecting with teammates takes the same form as connecting with clients. If the teammate truly has a desire to achieve “X”, the company can frame its relationship with the teammate based on that desire and tie that desire back to the entire working relationship. For many of us Baby Boomers and Gen X’ers, the almighty dollar was our motivation; that’s easy to frame around. But different people have different goals and desires. The maximum output to the teammate in terms of Connecting will often result in the maximum output from the teammate.

Do the employees of your company feel Connected? Is there a culture where all are encouraged to highlight errors, truly encouraged? Is there a culture wherein each teammate has the other’s back, particularly when the chips are down? Each of us, industry lifers and industry rookies, all share a common thread. We all hate to “screw up”. With that said, it is not uncommon for people not to want to see problems. It is uncomfortable to recognize problems, much less highlight them to each other. That is just human nature.

Those responsible for the management of Account Executive/Managers of our industry spend enormous resources “looking” for deviations to client trends that may signal a challenge. So it makes sense to foster an environment wherein teammates truly believe that they have each other’s backs so that they can raise difficult issues promptly. When there are complications with a client, days, if not hours,.

*Continued on page 31*
WHAT TO EXPECT AT THE 2014 FACTORING CONFERENCE

The 20th Annual Factoring Conference will take place at the famous Westin St. Francis hotel in San Francisco, California; April 9-12, 2014.

Next year’s conference will be held right in the heart of San Francisco, at the elegant and luxurious Westin St. Francis hotel, overlooking Union Square. See the famous Magneta Grandfather Clock, the historic meeting place of WWII soldiers and their sweethearts, as well as celebrities, presidents, foreign dignitaries, and countless others. When you’re done admiring the sumptuous surroundings, get ready for an impressive lineup of speakers and activities.

Start your Wednesday morning off right by learning how to employ Best Practices for Portfolio Management. IFA’s Director of Development, Darla Auchinachie, and Gateway Commercial Finance’s Managing Director, Marc Marin, will show you how. Alternately, invigorate yourself with the fresh air and lush greens at Harding Park Golf Course. Awaken your competitive spirit by playing in a tournament that includes lunch and transportation to and from the course.

If your golf game is a little rusty (or non-existent), grab a comfy pair of walking shoes and bring your appetite to the “Taste of the City” charity walk at San Francisco North Beach. Tour a bakery with 130-year-old brick ovens, and give back to the community through your support of First Graduate, a local charity that helps first-generation students go to college.

No matter how you choose to start your day, be sure to find your way to the Grand Ballroom for the Welcome Reception on Wednesday night. If you’re a new member of IFA, you’ll be invited to a special reception beforehand, where you can meet other new members, board members, and sponsors, and learn about the conference.

On Thursday morning, Executive Director, Bert Goldberg, will deliver an IFA update, which will be followed by revolutionary business strategist, data analysis expert, and kingpin of the famous MIT blackjack team, Jeffrey Ma, speaking on “The Power of Analytics”.

Next on the agenda is Point/Counterpoint, during which Mike Ullman, Esq., Bob Zadeck, Esq. and others will debate several hot topics in the factoring community. A Legal Panel led by attorneys Catherine Robertson, Esq. of Pahl & McCay, Jeanne Siegel, Esq. of Hahn & Hessen, LLP, Laurie Montplaisir, Esq. of Schuyler, Roche & Crisham, P.C., and moderator, Robyn Barrett of FSW Funding, will follow.

What plans have you made for the future of your company? All companies, regardless of their size or structure, should have a viable succession plan in place. Our Succession Planning panel will be discussing various ideas to cover contingency plans in the event of an accident, or methods to transition to new ownership. Executive Vice President of Prestige Capital Corporation, Stu Rosenthal, will moderate. Managing Director of Houlihan Lokey, Tim Stute, President of Crestmark Bank, Dave Tull, President of Vertex Financial, Ltd., Debra Wilson and Jeremy Weitz, Esq., of Buchalter Nemer will participate in this session.

The International Factoring Association’s Director of Development, Darla Auchinachie, will lead Factoring 101.

Anthony Brown, Head of International Trade Finance - Americas for Bibby Financial Services, will moderate a session on Reverse Factoring/Trade Payable Financing.

Learn about current trends in the Asset Based Lending industry from a panel of dynamic speakers: John Curtis is the Executive Vice President & ABL Central Regional Manager at First Capital. Lee Shodiss is Executive Vice President and Manager of Bridge Capital Finance. Lynn Sopwith is President of Camel Financial, Inc.

Following this exchange, one of TIME magazine’s “Top 100 Most Influential People in the World”, Dean Karnazes, will discuss “The Essential Ingredients for High-Achievement and Prevailing Against Staggering Odds”, drawing on his experiences as an endurance athlete.

Gen Merritt-Parikh, Chief Operating Officer of Allied Affiliated Funding, will offer Credit and Underwriting 101.

Factoring in Canada will wrap up Thursday afternoon’s speakers with attorneys Jeffrey Alpert, Esq. of Torkin Manes, Martin Fingerburt, Esq. of Cassels Brock & Blackwell, Mark Redinger, Esq. of Dickinson Wright LLP, and moderator, Tina Capobianco, Vice President of JD Factors Corporation.

In the evening, stop by the Bibby Social at Victor’s & Alexandra’s, for food, drinks, and entertainment. Then come back from 9pm-midnight for the Tax Guard Dessert Reception.

The American Factoring Association will kick off Friday’s lineup with a brief discussion of the steps necessary to meet their goals.

Next, Founding Partner of Beacon Economics, LLC and one of California’s leading economists, Dr. Christopher Thornberg, will explain how the economy will affect factors. Afterwards, Bob Zadek, Esq. of Buchalter Nemer, will give a Report From The Courts.

A Canadian Roundtable Discussion will be moderated by Brian Birnbaum, President, Liquid Capital, Glen Dazell, Vice President TCE Capital Corporation, Charles Sheppard, President, Accutrac Capital Solutions, and with Legal Counsel, Jason Arbuck, Esq., of Cassels, Continued on page 23
As of September 1, 2013

and root out unfair, deceptive, and abusive practices in financial markets that harm consumers. We have various tools to achieve that goal, including supervisory oversight and enforcement actions.”

The CFPB has already begun rule-making which is affecting company’s relationships with people who have never been considered “consumers” in the past. Director Richard Cordray recently stated, “Employees must have options when it comes to how they receive their wages. Today’s release warns employers that they cannot mandate that their employees receive wages on a payroll card. And for those employees who choose to receive wages on a payroll card, they are entitled to certain federal protections.” The CFPB has now defined consumers to include employees.

The question is now, how long before “consumer” means our clients. The AFA continues to send representatives to Washington at every opportunity. The costs of trips are borne by individual AFA members who graciously donate their time and money to attend these meetings. To those of you who have donated time and money to the AFA, we thank you for your foresight and continued support.

We understand not everyone can go to Washington, but everyone can contribute money. Thanks to those of you who have already pledged money for 2013. We can guarantee your money will be well spent. If you have not made your pledge to the AFA for 2013, now is the time to act. The well-being of our industry is at stake. If you have not given, please take this opportunity to visit our web page (americanfactoring.org) to have your voice heard.

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

2013 MEMBERS & DONATIONS

As of September 1, 2013

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By JEFF ROSE, CFO, NATIONAL BANKERS TRUST

Consumer Financial Protection Bureau Under Fire... Again
what's new at ifa

Certified Email

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

www.rpost.com/ifa
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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 was their application of these tools that lead to their expertise, 12five specializes in software optimization, cloud computing implementation and social media representation.

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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.

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Email: dwolson@factorhelp.com

IFA Members receive a discount of 10% on their consulting fees and 5% discount on all FactorHelp products in the IFA store.

Credit

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

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www.ansoniacreditdata.com

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

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IFA Members receive free trade reports in exchange for AR data. Also receive free bankruptcy notifications & preferred rates for collections - 15% contingency fee.

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: 973-603-6444 • Website: www.dnb.com
IFA Member Benefits: New & Retaining 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)

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Email: winston@transcredit.com

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IFA Member Benefits: 2.15% Processing Rate! $20 off monthly fee! $70 off PCI Compliance Certification!

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Email: salessupport@agilityrecovery.com

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

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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 team. They serve as your dedicated marketing department.

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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

Bayside Business Solutions, Inc.

Bayside Business Solutions is an innovative supplier of commercial portfolio management software that lets lenders manage factoring, invoice discounting, asset based lending, and more on a single platform—CADENCE (formerly FactorSoft), Control Monitor. More Lend More. With CADENCE.
Phone: 205-972-8900 • www.baysidebiz.com

IFA members will receive 10% off license fees and add-on modules. For IFA members who are currently Bayside customers: Free one day refresher course, per year, at Bayside’s training facility in Birmingham, AL.

FactorFox

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

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

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Tax Guard

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

IFA Members will receive a 20% discount on the same-day due diligence order.

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IFA Members receive 25% discount off Each Monthly Unlimited Extension, and either: 10% off On-Demand Call Recording or 10% off Company Call Recording. Or, buy Voicemail Transcription, Get On-Demand Call Recording free.

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UCC SEARCH

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Phone: 800-406-1577 • www.ficoso.com
Email: dave@ficoso.com

IFA members will receive a 10% discount off of the retail rates of their signature state and county account monitoring product.

IFA Conference

Continued from page 20

Brock & Blackwell LLP.
Peter Mulroy, Secretary General of Factors Chain International, will moderate a panel discussion on Factoring in Asia.
President of SalesBrain, Patrick Renvoise, will deliver a Sales/Marketing seminar on “Neuromarketing: What You Need to Know About the Brain of Your Customers to Find Their Buy Button”.

Red Flags: Items to Watch for in Your Factoring Portfolio will be led by Amy Balcuiñas, CFAE - Sky Business Credit, LLC, Gail Winther, CFAE - RMP Capital Corp., James Baugh, CFAE - Summit Financial Resources, and moderator, George Thorsen, Executive Vice President of Advance Business Capital.

Learn about Current Topics in Transportation Factoring from David Jencks, Esq. of Jencks & Jencks, then attend a session on Factoring in the Orient.

At Working with Brokers, find out what some of the leading factoring brokers look for when placing clients. Raul Esqueda, President of 1st Commercial Credit, Maurice Johnson, President of Hashtag Capital, and moderator, Phil Cohen, President of PRN Funding will share their knowledge.

Curious about the Collateral Field Examination Process? Attend a session led by Cost Reduction Solutions President, Michael Albanese, and Asset Based Lending Consultants, Inc. President, Donald Clarke.

A Small Factors Roundtable will be moderated by Melissa Donald, President of LDI Growth Partners, LLC and Darrell Fleck, Managing Partner at RMP Capital Corp., with legal counsel, David Jencks, Esq. of Jencks & Jencks.

Learn the nuances of Factoring in Latin America from RMP Capital Corp. Director, Matthew Davis, and CV Credit Inc. President, Luis Gabriel Segura.

After a productive day, relax at Ruby Sky, Enjoy an evening of jazz, wine tasting, and good food. A cocktail reception will be followed by dinner and entertainment at the conference’s Closing Event. Before you go home, take advantage of a beautiful Saturday in San Francisco. Offerings include a Napa Valley Wine Tasting Tour, and the ever-popular Idea Exchange, with continental breakfast included.

There’s something for everyone at the 20th Annual Factoring Conference at the Westin St. Francis. Embrace the charm of San Francisco, and “meet us at the clock!”
Barbarians at the Gate

In 2007, I spoke at the IFA conference on the Niche Factoring panel regarding the topic of Merchant Cash Advance. At that time, there were only a handful of MCA companies operating in the US. As more and more MCA companies have sprung up, the competition for deals has become fierce.

BY JASON BISHOP

In 2007, I spoke at the IFA conference on the Niche Factoring panel regarding the topic of Merchant Cash Advance. MCA was an interesting topic to most factors and viewed as a fringe style of financing with very little crossover between purchasing future credit card receivables and factoring invoices. The clients were significantly different. Not many restaurants, dry cleaners, and liquor stores generate the type of invoices necessary for a factor to consider entering into a relationship, and not many manufacturers generated enough credit card payments for the MCA company to be able to make a meaningful working capital commitment.

At that time, there were only a handful of MCA companies operating in the US. In 2008, a significant number of hedge fund money went away, but new MCA companies continued to crop up. Many of these companies were financed by high net worth individuals. Most of the New York MCA broker houses closed up and some of the more savvy brokers put together business plans, raised capital, and started their own MCA company. As the economy settled down and the Funds once again began looking for ways to deploy capital, MCA companies provided an excellent platform for investment.

As more and more MCA companies have sprung up, the competition for deals has become fierce. In 2011, many MCA companies were struggling with growth because there was simply more capital available than there were deals to do. Brokers have driven MCA market originations and have been excellent at playing one MCA company against the other. Companies that request too much due diligence and don’t pay a premium commission are often left out in the cold. Brokers often submit a new deal to five or six companies simultaneously, and whoever offers the largest, fastest, and easiest funding combined with the highest commission gets the deal.

As more competition continued to develop, MCA companies were forced to find a way to expand the market if they wanted to have growth.

Along comes the ACH program. The ACH program was developed to allow MCA companies to advance capital not only against credit card receivables but against a company’s entire cash flow. Rather than relying on a credit card processor to forward money directly to the MCA provider to reduce the balance, MCA companies started evaluating the behavior
of the merchant’s bank statements to assess the business’ cash flow. After averaging several months worth of total deposits and applying MCA calculations to advance working capital against the future performance of the bank account, merchants were able to leverage all of their sales. MCA providers began collecting their money via daily or weekly ACH. Needless to say, the market exploded. Merchants who previously had difficulty in obtaining working capital now had brokers calling them daily, begging for them to return documents so that they could get money in their bank account. Several of my friends who own MCA companies have set record-breaking months consecutively for the last 12 months. There were the initial growing pains for those that immediately jumped in, but over time, MCA companies have developed somewhat similar policies in evaluating which merchants qualify for an ACH program. Now we are seeing more and larger ACH deals as merchants become aware of this additional source of capital. Mid six figure MCA ACH deals to manufacturers and service providers are becoming common. MCA is no longer the amusing little brother of factoring. Through the MCA ACH program, merchants are gaining easier access to larger amounts of working capital than factoring has traditionally provided.

“Stacking” or “Grasshopper” deals came onto the MCA scene about 18 months ago. As described in the previous paragraph, MCA providers were finding it more difficult to deploy capital into the limited amount of qualifying merchants. A couple of New York based MCA companies came up with idea of ignoring the UCC-1 filings of existing MCA companies and “stacking” merchants with a second MCA that is shorter term and at a much higher rate than the original MCA. Many MCA brokers use reverse UCC lien searches as a methodology of locating potential clients. Before stacking, the timing often wasn’t right due to the merchant’s existing balance with their current MCA company. When stacking became available, the brokers jumped in with both feet because if the timing wasn’t right for a traditional MCA, they stacked the merchant. If the merchant qualifies for an MCA, the broker places it with the company that will pay the most commission for that type of merchant, gets an upfront commission from the stacking MCA company.

As you can see, due to MCA ACH, the formerly segmented world of clients divided between Factors and MCA have now converged. I will give you an example that we underwrote last week. The client was a federally funded service provider with two locations. One location had been severely damaged from a storm, and the client was attempting to collect on its business interruption insurance. The client needed additional working capital to bridge the operations until the business interruption insurance was paid. The insurance company was dragging its feet, and they were headed to court. The factor contacted us and asked if we could use our factor-friendly working capital program to assist the merchant with their capital requirements. When we interviewed the merchant, they disclosed to us that they billed about $200K per month, which is all factored. They then took a stack from another
MCA company who ignored both company’s UCC liens. The net result was that the merchant was drowning from lack of cash flow, and if I had to guess, all three companies will wind up impaired. The merchant was factoring daily, and his outstanding balances with his MCA companies came out to $199K. This type of scenario is not limited to manufacturers and service providers. Yesterday we underwrote a trucking company that had a transportation factor in place, as well as an MCA ACH program debiting 20% of gross daily deposits.

The question now is what can a factor do to protect their clients and maintain portfolio integrity? The first step is to realize that this new world isn’t all doom and gloom. Working with a friendly MCA company can help the factor strengthen their client by helping the merchant with additional growth capital and keeping the factor out of over advance situations. Keep in mind that reverse UCC lien searches are the norm from MCA companies. A factor called me last week and said they had a New York MCA company calling their merchants impersonating the factor. I’ve had brokers call my clients and tell them that it was time for a renewal and that they had to send over new paperwork for them to sign. They tell clients that they are the company that funds the factor! Two methods that have worked for my company are to use Corporation Service Company to file your liens and to create a dummy corporation and file your lien against it. When the brokers come trolling, you will get a phone call and can listen to their pitch. Ask for an email and gather information, and then have your attorney follow up with a cease and desist letter. Make sure that you have a negative pledge included in your UCC lien and have your client sign a separate document affirming that they will not take additional working capital after receiving your funding. They will get called and they will take the money. You have to leave the lines of communication open with your merchants for additional working capital needs. If you find that you have a client who has an MCA or a stack, and you have a negative pledge in your agreement, have your attorney prepare a letter to put the subordinate finance company on notice that you are exercising your rights against the lien and that any payments accepted after the notification are subject to disgorgement should the merchant default.

In closing, I would recommend you keep your clients close. Keep in good contact with them and let them know that you are there to help them grow. Develop a relationship with a friendly MCA company to help your clients when they need additional growth capital that factoring can’t provide. Lastly, prepare your company for these ever evolving products and stay abreast of the changing trends.

Jason Bishop is the CEO and Chairman of MotherFund, a merchant cash advance company based in Rockwall, TX, that he founded in 2007. Prior to MotherFund, he was one of the founding members of Strategic Funding Source in NYC, and spent time as a regional manager for Advanceme and Rewards Network. Jason was honored in the Dallas Business Journal class of 2012 Top Forty Executives under Forty. He can be reached at 469-402-1110 or jbishop@motherfund.com.
IF A Members Making A Difference

THE IFA “MEMBERS MAKING A DIFFERENCE” COLUMN FOCUSES ON THE MANY IFA MEMBERS MAKING A DIFFERENCE IN THEIR COMMUNITIES AND IN THE WORLD.

Q&A with Crestmark

What charities are you involved with? What causes are nearest to your heart?

Crestmark is involved in numerous charities nationwide; and the way we view our company’s charitable involvement is based on what causes are near and dear to our employees’ hearts. For instance, so far this year we had a company-wide contest and company match for Red Cross disaster relief; we’ve had numerous blood drives in three of our six offices; employees participated in Susan G. Komen Race for the Cure and Susan G. Komen 3-Day (Breast Cancer) in three cities with company matches for funds that employees raised. We have also donated to the American Cancer Society, Children’s Hospital, March of Dimes, National Kidney Foundation, Relay for Life, Variety, The Music Hall, Toys for Tots, Meals on Wheels, worked with and donated to Gleaners Community Food Bank of Southeastern Michigan, worked with St. Vincent de Paul Society Baton Rouge, LA Bags of Hope Program, and volunteered time with Haven, a women’s shelter in Michigan, by working in their gardens, and by providing financial and resume building guidance. And I’m sure that’s an incomplete list; adding in the sponsorships of events that benefit local police or schools, there are many more.

As an important part of our mission, Crestmark and our people have a commitment to be involved in the communities in which we serve; and we’re proud to say that these activities generate so much interest from employees that we sometimes have more participants than available spots. This year, we worked on a Habitat

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Making a Difference
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for Humanity Hometown Hero house rehab for a veteran and his family, and in less than 10 hours we filled all 17 spots. We are also active in providing financial educational opportunities through the Teach a Child to Save program, and Building Financial Awareness seminars as a partnership with a local Habitat for Humanity chapter.

How did you become involved in the charity or charities?
Our regional offices have groups that determine and recommend activities throughout the year; they communicate their involvement as it occurs.

Where do you see it making a difference?
Crestmark’s purpose is to help... whether it is to help the small- to middle-market businesses that our bank serves, or whether it is to get involved in the communities in which we work and live. In living our “we help” mentality, it makes us all feel more engaged, knowing that we are making a difference.

How has volunteering affected you? Has it influenced or had an effect on your business?
Volunteering is an important part of Crestmark’s culture; we understand how important it is to give back to the communities in which we live and work.

Why is giving back and helping these organizations important to you?
Since these are employee-driven activities, it provides us a way to show our support of what is most important to our employees. A good share of these initiatives are charities who deal with illnesses or conditions that have directly affected employees or their loved ones, and supporting their causes feels right.

How can we learn more about the charities you are involved with?
See above, or contact Lisa Beattie at 248.267.1639 or lbeattie@crestmark.com

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This is my last article for Commercial Factor. I’ve been writing this feature for about a decade. My practice has shifted the last few years, and I’m moving in different directions, so it’s time for someone with fresh ideas to contribute.

I have enjoyed writing this feature. I hope you have learned from it and that you are a more knowledgeable professional and better at your job today, at least in some small part, due to what you have learned in these articles over the years.

I owe a huge thanks to Bert Goldberg for giving me this opportunity, to my IFA sidekick Steve Kurtz, and to many others who have given me ideas for articles, and from whom I have learned much. I have gotten to know many of the IFA members over the years. It is a great organization with a great membership. The industry is stronger and improved because of the efforts of many who have contributed to IFA.

I wanted to leave you with a handful of the most important lessons I think a factor needs to learn to be successful:

1. Get a relationship with a good factoring attorney. Your corporate attorney or collections attorney doesn’t know this area. This is a technical area and most attorneys don’t know it – but few will admit they don’t. If you can’t find a good factoring attorney in your area, invest with a promising candidate who will develop that skill.

2. Learn how to use your attorney wisely. If you only call your attorney for disaster cleanup, you are not using your attorney wisely. Preventive advice is far cheaper in the long run. Set up a program for regular review of your forms and procedures. Have your attorney come and speak to your people regularly. Most attorneys are happy to do regular seminars for your employees for little or no charge.

3. You don’t know as much as you think you do. The old adage that a little knowledge is a dangerous thing is very applicable here. A factor’s understanding of the law is usually incomplete and frequently only partially accurate. To make it even more dangerous, most factors don’t know that their knowledge is lacking. Making important decisions with this flawed knowledge base is indeed very dangerous.

4. Never sacrifice sound underwriting to build your portfolio. The high risk deal is seldom worth it in the end. I’ve seen this result in a significant loss and legal expenses again and again.

5. Train your people, train your people, and then train your people. Invest in sending them to seminars and IFA meetings. Have your attorney offer in-house training. An ongoing training program is essential. People forget, and rules change.

6. The old clichés are as valid and instructive today as they ever were: Know your customer. Your first loss is usually your best loss.

7. Most of the Factoring Agreements in use are decent, but I continue to see many poorly drafted ancillary documents – Buy-Out Agreements, Participation Agreements, Co-Factoring Agreements, Guarantees, and especially, Validity Indemnifications.

8. UCC and Lien Searches – I continue to be amazed at how frequently these are not done properly or not read properly. From my viewpoint, it is probably the number two reason for losses.

9. The number one reason for losses that I see is poor underwriting. With hindsight, the red flags in almost every loss transaction become obvious when the deal blows up. The warnings were there from the beginning, and not hidden, but simply overlooked.

My last, and most important piece of advice, is to always make knowledgeable, informed decisions. I’ve been accused occasionally of being so risk adverse that I don’t want factors to ever do a deal. If you think lawyers are deal killers, you don’t understand. The most dangerous thing you can do is make an important decision without understanding all of the facts, risks, and legal issues. An uninformed decision is reckless. Without a thorough understanding of the legal principles applicable to a situation, your decision is reckless. A good lawyer will walk you through the transaction to be sure all of the issues have been identified, the applicable legal principles analyzed, and the likelihood of various outcomes assessed. Then you make the decision based on how much risk you are willing to take. The lending business is largely just a risk management business. You can’t manage the risk without fully understanding the risk. The knowledge and input of your lawyer is one of the most valuable tools in your box. Use that tool regularly and wisely.

I hope to still attend a few more IFA conventions, and look forward to seeing you there, to keep up the friendships that have been my honor and pleasure to build over these years. Thanks again for the opportunities I have been given.

Information provided in this article is general information only and not legal advice. Readers are encouraged to consult an attorney for specific legal advice.

John A. Beckstead, Esq. is a partner in the Salt Lake City office of the regional law firm Holland & Hart LLP. He can be reached at jabeckstead@hollandhart.com or 801-799-5823.
I wrote my first Commercial Factor article on small ticket factoring for the fall issue of 2007. Up to that time, small ticket factors were sometimes not taken too seriously by larger factors. The comparatively small amount of funds employed, and the Mom & Pop shop-type clients we little guys accept, were deemed insignificant by some with multi millions of dollars invested in large client portfolios.

In fact, I was once asked by a large factor when I was going to stop playing around with such little clients, get serious about my factoring business, and grow to a respectable size. He laughed and shook his head at the size of the deals I was funding, and clearly didn’t take what I was doing seriously. He equated factoring success with the total funds I advanced and how much money was in my bank account; he felt I was wasting my time playing in the minor leagues of micro factoring. He completely missed the point of what I was doing and why I was doing it.

For me and other smaller factors who really enjoy what we do, it’s not just about making as much money as possible. It’s about helping people who larger factors turn away only because of small volume. It’s about helping very small businesses grow, and improving lives, one company at a time. It’s about working in an environment that I enjoy and control, and living the lifestyle I choose. That’s why I started – and have continued – as a small factor for the twenty years I have been doing this. I certainly could have taken on millions of dollars of debt to grow and become big like everyone else; but that was not what I wanted to accomplish.

By 2007, the idea of small ticket factoring had garnered enough interest in the factoring community to earn its own space on the pages of this publication. I was honored to be asked to write the first article of this regular column, and have done so for every issue since. Now, small ticket factoring has earned wider acceptance in our industry, in part because larger factors see the greater picture of how factoring even the smallest clients – while not practical for their larger operation – still has merit.

Small factors fill a very important niche, and the need for them is, and will continue to be, significant. We help many very small businesses start and flourish, and have put countless meals on tables for our great number of clients and their employees’ families. What small ticket factors do is every bit as important as what larger factors do; we just do it with fewer zeroes involved.

Smaller factors are also incubators for larger factors, which is now recognized and accepted as one of the greatest benefits of what we do. We accept very small or startup companies that larger factors cannot, and eventually grow them to the size bigger factors can fund. This is a win-win for everybody, and is a big reason smaller factors will continue to emerge: in a word, we are needed.

However, at this point in my career and life, it’s time to pass the baton of this column on to another. Therefore, this is the last regular article I’ll be writing for this magazine. I’m still very involved in factoring and am continuing with my funding, software, and publishing companies that all revolve around factoring.

It has been my pleasure to write these articles for the past many years, and I will continue to look forward to receiving my regular copy of Commercial Factor. I welcome continued emails and phone calls from any of you who have questions or just want to enjoy a little factoring shop talk. Thank you all for your interest, feedback, and suggestions over the past years. I hope they will continue.

Jeff Callender is President of Dash Point Financial (DashPointFinancial.com) which buys receivables of very small businesses. He has written many books and ebooks about factoring which can be obtained from DashPointPublishing.com, the IFA website’s Store, Amazon.com, and numerous online booksellers. He is also President of FactorFox Software (FactorFox.com), a cloud-based program used by factors of all sizes to track their receivables. You can reach him at 866-432-2408 and Jeff@DashPointFinancial.com or Jeff@FactorFox.com.
trained salesperson not only gains the trust of the prospect, but by answering questions correctly, they avoid the processing delays caused by confusion when a prospect is handed off to underwriting and starts hearing things inconsistent with the representations made by their salesperson. Setting the right expectations early in the process ensures a smooth experience for all. This can only be done if you’ve been taught how everything works.

Conclusion

Operations training for sales people sounds to most like an oxymoron. I hope I made it painfully clear that it is actually a vital key to success in today’s ultra-competitive market. In the old days, quantity was more important than quality. If a salesperson wanted to close more deals, all they had to do was make more calls. Today, one BDO can have four quality leads and the other two, and both can easily close zero. Quantity, while nice, guarantees nothing. A better trained BDO, trained in both sales tactics and operational procedures, now means everything. It’s hard to succeed if you only know one side of the story.

Sales & Marketing

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With teammates creates pathways to maximized client service.

Connecting as an Industry

Connecting is not a new idea by any means. Many of us have developed solid lifelong relationships with clients and teammates. What we do cannot be duplicated by a system or set of formulas. As an industry, we touch hundreds of thousands of people each day. Our action in funding one advance request has a multiplier effect unlike any other industry. We support the dreams of our client “captains”, that in turn support payroll, which in turn supports mortgage payments, school tuition, grocery bills, etc. We are the backbone that supports millions of hardworking people. What we do is about touching lives. What we do emphasizes relationships; what we do screams for Connecting. It always has and always will.

The current areas of training, and opportunities provided for learning in our industry, specifically the IFA and CFA, are second to none. Moreover, our industry is unique in its overwhelming support for its member companies and individuals. I believe there is no industry more willing to welcome all and more open to self-examination. In that regard, I believe we as an industry could benefit by openly discussing and sharing how to foster environments that perpetuate Connecting as a style and tool. It is possible that we need to specifically cultivate such, in order to keep pace with a domestic, if not global, marketplace that is holding companies to an ever higher standard. By creating environments in which we Connect with our teammates and ultimately Connect with our clients, we touch lives unlike any other industry can. In turn, we enhance return and mitigate loss. Connecting just makes sense.

Notify, Verify, Identify

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matter in the successful management of those complications. By no means am I suggesting that each of us not be held accountable for our actions or inactions. The basic cornerstone of management remains the same, in terms of remaining diligent and reviewing work often. But what I am suggesting is that if you Connect with your teammates and encourage environments free of fear of what already is, then the opportunity to address issues quickly is enhanced.

In the end, by Connecting with teammates, you continue to enforce the ability to address issues quickly and effectively. In this framework and style, it is not uncommon for trends and issues to be raised internally and communicated to the client, wherein the client was unaware of a problem, truly unaware. Given the associate managing the relationship felt comfortable highlighting a problem, both you and the client benefit. Connecting
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