A LOOK AHEAD

ALSO INSIDE:
The Right Deals for the Right Reasons
2016 Outlook: The Global Economy, FinTech and the Presidential Election
Factor vs. MCA
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Our “Look Ahead” issue is one of my favorite issues of the year. Reading how experts in the factoring industry perceive the future is always thought-provoking.

Not only do we have relevant educational sessions, but we have added numerous roundtables, giving I think the future will present multiple challenges for the factoring industry. The IFA again added about 70 new members this year, indicating that the factoring industry is still strong. This also leads toward more competition from within the industry. Outside competitors from MCA/ACH lenders, lending clubs, banks moving downstream, and others will also present additional pressure. I am becoming more concerned about possible regulation than ever before. These new lenders may increase the potential for small business lending to be reclassified and fall under the jurisdiction of the CFPB. Factoring may then be swept into regulation that was actually intended for other small business lenders. Both the IFA and the AFA are monitoring this situation. It is for this reason I highly suggest supporting the AFA and their objectives.

This issue also features a look ahead to the annual Factoring Conference. The 2016 conference will be held April 13 – 16 at the Fairmont Princess in Scottsdale, Arizona. This AAA 5 diamond resort is one of my favorite hotels and is the perfect setting for the upcoming convention.

I’m eager to hear our two keynote speakers. In keeping with our ability to look ahead, we will be starting the conference with Sheryl Connelly from Ford Motor Company. She will be talking about how important it is to look to the future and to recognize trends that will become reality that will affect your opportunities.

Our other keynote speaker is Captain Mark Kelly from NASA. Captain Kelly was the commander of the Space Shuttle Endeavor’s final mission and is currently being monitored due to his twin brother being on the Space Station. He is also the husband of Congresswoman Gabrielle Gifford, who survived an assassination attempt in 2011. Captain Kelly will discuss how to accomplish your mission while maintaining the love and devotion to family that is the foundation of true success.

New to this conference will be the addition of various roundtables. Designed to promote networking and interaction among those attendees with similar interests, each roundtable will be led by moderators familiar with the specific group. The roundtables we will be running for the conference are:

- Senior Executives
- Women in Commercial Finance
- Young Professionals
- Attorneys
- Operational Issues
- Small Factors

Additional sessions that are specific to the Factoring / ABL community are:

- Notices of Assignment
- Credit & Underwriting
- Current Topics in Transportation Factoring
- MCA’s – Friend or Foe
- Report from the Courts
- Legal Panel

Sessions that emphasize more general knowledge are:

- Economic Projections with Dr. Barry Asmus
- The Psychology of Fraud
- Face Reading

We also have sessions specifically designed for Factoring internationally. They include:

- Options for Factoring in Latin America
- Differences between US and European Factors
- Update on Factoring Around the World
- Working with Chinese Factors
- New Technologies to Finance Foreign Receivables
- Doing Business in Western Canada
- Canadian Legal Update

Networking events will be:

Golf, Old Town Scottsdale Food Tour, RMP Capital Welcome Reception, Bibby Social, Tax Guard Dessert Reception, Closing Event at Los Cedros, Grand Canyon Tour, Spouse Tour at Taliesin West, Breakout Small Factors Lunch, Breakout Transportation Factoring Lunch and Saturday’s Idea Exchange.

It’s no wonder that the IFA’s annual conference has become the event not to miss for the Factoring and Asset Based Lending community. You can find a detailed conference write-up on page 7 or by visiting the conference website at www.factoringconference.com.

See you in Scottsdale!
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**

**Accord Launches Innovative Small Business Lending Program**

Accord Financial Corp. announced the launch of AccordAccess, a unique online lending program aimed at financing growth for small and medium-sized businesses across Canada. AccordAccess is a fast, flexible working capital solution that provides unsecured loans of up to $75,000 to qualified companies.

**Bibby Financial Services Exceeds Volunteering Goals for 2015, Donates More Than $50,000 to Nonprofits**

Bibby Financial Services North America employees donated 1,802 hours of service to their respective local communities across the United States and Canada. This surpasses the company’s 2015 goal of 1,000 hours by 80 percent. Company employees raised $33,000, which is matched by Bibby Line Group as part of its Giving Something Back program. In total, Bibby USA and Bibby Canada employees have raised $53,574 after corporate gift matching and nonprofit event sponsorships in 2015.

**Phoenix Capital Group, LLC Announces Website Redesign to Freight Factoring Industry**

PCG’s newly renovated website has been designed to assist truckers and carriers with freight factoring services, fuel card programs and equipment financing.

**INDUSTRY TRANSACTIONS**

**GCBC Provides $100K, EFS Fuel Cards to Startup Trucking Company**

Gulf Coast Business Credit funded a $100,000 working capital facility and provided GCBC fuel cards powered by EFS to a Texas-based startup trucking company.

**CapitalPlus Equity Announces Recent Deals**

CapitalPlus Equity, a factoring company specializing in commercial construction, has provided a revolving factoring facility for $1,000,000 to a general contractor in Utah.

CapitalPlus Equity also provided a revolving factoring facility for $261,000 to a demolition contractor in Louisiana.

**Crestmark Closes Ten Transactions**

Crestmark secured a total of $6.51 million in financial solutions for ten new clients in the first half of November.

**TAB Bank Provides $4.5 Million Facility to Supply Chain Management Company**

TAB Bank provided a $4.5 million asset-based credit facility for a logistics and supply chain management company with operations in California and the Northeast. The new facility will pay off the com-
pany’s previous lender and provide working capital to fuel their growth. In addition to the credit facility, TAB Bank has also provided the company with a $1.5 million term loan to finance the acquisition of new equipment for the purpose of supporting several new contracts.

Allied Affiliated Funding Announces Recently Closed Transactions
• $3,000,000 accounts receivable facility for a trucking company specializing in transporting all goods related to the wine industry including hauling grapes, barrels, glass, case goods, and bulk equipment.
• $3,000,000 accounts receivable facility for a merger between two marketing technology firms: one specializing in design concepts, engineering, fabrication and installation of high tech systems for personalized themed environments and the other being a servicing technology company focused on high-end audio-visual networks for clients domestically and internationally.

Expansion Capital Group Closes $25 Million Credit Facility
Expansion Capital Group (ECG), a provider of small business loans, announced a new credit facility financing relationship with Northlight Financial (Northlight) and Bastion Management (Bastion). Under the agreement, vehicles controlled by Northlight and Bastion will provide a $25 million credit facility to support ECG’s rapid lending growth.

Bibby Financial Strikes First Private Sector Securitisation Deal
More loans are expected to flow to Britain’s small businesses after Bibby Financial Services struck the first private sector securitisation deal by an asset-based lender. Bibby advances cash against business debts. It said the securitisation of its existing £480m loan book would provide cheaper finance and enable it to boost lending by £290m — more than 50 per cent.

Far West Capital Funds $1,500,000 to Asphalt Paving Company
Far West Capital funded a $1.5 million asset based line of credit to an asphalt paving company in Bellflower, California. A recent widow needed help selling her late husband’s asphalt paving business and a new entrepreneur needed funding to purchase it.

Hitachi Business Finance Continues Strong Fourth Quarter with $8.5 Million in Financing to Five Companies
Hitachi Business Finance announced that five additional companies have received asset-based financing to assist with cashflow and working capital needs in the final quarter of 2015.

PERSONNEL
Bibby Financial Services Appoints Withrow to EVP, General Counsel
Bibby Financial Services announced the appointment of Kim Withrow to Executive Vice President, General Counsel. Kim joins the team with nearly 30 years of experience in all aspects of commercial lending. She will oversee the company’s legal proceedings and corporate records across all departments.

Mary Meroney Joins TAB Bank’s Trucking Business Development Team
TAB Bank announced the addition of Mary Meroney to their trucking business development team as Vice President and Business Development Officer. Mary will be responsible for sourcing new business opportunities by providing asset-based and factoring working capital facilities as well as equipment financing to transportation companies of all sizes. She will be based in the Dallas-Fort Worth area and will cover a territory that includes the states of Texas, Oklahoma, and Louisiana.

Mary has over 25 years of experience in working in the transportation sector.

Hussein Marquez joins Diversified Funding Services, Inc. as COO
Diversified Funding Services, Inc. announced that Hussein Marquez has joined the company as COO. In this position, Hussein will be responsible for day to day operations and underwriting. Hussein brings expertise and a deep understanding of the operations side of the business.

NORTHEAST CHAPTER EVENTS

January 19, 2016
8:30AM-10:00AM
Accounts Receivable Insurance
HUB International, New York City

February 4, 2016
12:00 PM-2:00 PM
Factoring Receivables and the True Sale of the Asset
Fineman Krekstein & Harris PC
Philadelphia, PA

March 8, 2016
10:30 AM -2:30 PM
Factoring Panel Discussions
IFA Northeast, IFA & NY Institute of Credit
Arno Ristorante, NYC

For more information, contact Harvey Gross at (732) 672-8410 or hgross@comcast.net

CANADA CHAPTER EVENTS

December 15, 2015
End of the Year Gathering: TBA
Meetings Location:
Mississauga Living Arts Centre
Scotia McLeod Room
4141 Living Arts Drive
Mississauga ON L5B 4B8

For more information, contact Oscar Rombola at (905) 603-6284 or orombola@accutraccapital-itc.com.
I can’t believe it’s time to start making travel plans for the Annual Factoring Conference again. This will be my 13th IFA Conference, and every year it gets better and better. I had doubts that we would be able to outshine last year’s conference, but the speaker lineup, additional networking time and incredible activities have put this year’s conference at the top of my list.

BY HEATHER VILLA

April 13-16 will be the 22nd Annual Factoring Conference and Scottsdale, Arizona, will be called home. At the heart of every great conference is passion. Passion to learn, passion to grow new business, and passion to rekindle old friendships while making new ones. The IFA Factoring Conference will not only leave you feeling energized, enriched, and renewed, but will also create memories that will inspire you for a lifetime. With temperatures averaging in the 80’s in mid-April, Scottsdale, Arizona, is the perfect location to learn, grow, and socialize with the finest individuals in the Commercial Finance Industry.

A STYLISH, SOPHISTICATED RETREAT FOR BOTH WORK AND PLAY

The AAA Five-Diamond Fairmont Scottsdale Princess provides the perfect setting to enjoy al fresco living in the blooming Sonoran Desert. As in the Native American tradition, you’ll live in harmony with nature...vast open spaces, lushly landscaped grounds, and the burning orange sun sinking behind the majestic mountains will inspire and energize you. This resort is a monument of beauty and luxury, as the natural palate at play is of the most unique and stunning in the world.

Downtown Scottsdale pulses with a vibrant energy all its own, emphasizing the term “urban cool”. By day, shopping, gallery-hopping, and open-air dining are among the most popular pastimes. Home to more than 90 restaurants, 320
The 2016 Factoring Conference will provide two full days of educational instruction that is designed to increase your awareness within the industry and provide you with new tools to help grow your business. With over 60 world class speakers, you will have access to some of the most knowledgeable minds in the Factoring business, delivering unrivaled educational content that will allow you to excel as an owner, partner, leader, employee, and team member. Here is a sneak peek at what this year’s conference has in store.

**How To Think Like A Futurist** - Learn to understand the distinctive characteristics of different generations of consumers, identify how to overcome information addiction, and recognize trends that will become reality for the next 2 to 20 years. (Sheryl Connelly, Manager of Global Consumer Trends and Futuring, Ford Motor Company)

**Endeavour To Succeed** - Understand how combining teamwork, leadership, communication, and family will give you an unwavering commitment to succeed. Listen to how you can accomplish your mission while maintaining the love and devotion to family that is the foundation of true success. (Captain Mark Kelly, NASA Astronaut)

**Economic Forecast** - Hear how the economy will affect Factors in an enthusiastic and energy-filled presentation by an advocate of free market economics. (Dr. Barry Asmus, Economist, Ideas Spoken)

**The Psychology of Fraud** - Delve into a compelling story that will lead you through the latest breakthroughs in psychological research, and uncover individual and group behaviors that reveal how our minds actually work in relation to these experiences. (Mac Fuller, Amazing Face Reading)

**Face Reading** - We know the meaning of a smile or a frown, but few realize that a face is a living record and personality profile rolled into one. Each face reflects, in its structure and lines, its owner’s personal history, mental attitudes, character traits, intimacy requirements, work ethic, personal preferences, and much more. Learn to understand the importance of facial expression in communication. (Mac Fuller, Amazing Face Reading)

**Report From the Courts** - Hear the lessons learned from this year’s court decisions and how the courts treated IFA members. (Bob Zadek, Esq., Buchalter, Nemer)

**Transportation Factoring** - Receive an update on the Transportation industry as well as time for discussion on key topics related to Transportation Factors. (David Jencks, Esq., Jencks & Jencks, P.C.)

**Factoring 101** - Understand the nuts and bolts of Factoring for beginners or those wishing to enhance their previous knowledge. (Amy Balciunas, Executive Vice President, Sky Business Credit, LLC)

**Sales 101** - Learn the groundwork for mastering sales skills while discovering techniques that can be used in everyday situations. (Blaine Waugh, Sr. Vice President of Business Development, Triumph Business Capital)

**Notice of Assignment** - Handling account debtor collection cases on a routine basis means that you hear a lot of different arguments from account debtors to justify non-payment purportedly due to notices of assignments defects, whether due to the form, content or transmission. This session will identify those excuses we have learned of and all of the legal arguments at your arsenal to destroy them. (Michael Ullman, Esq. & Jared Ullman, Esq., Ullman & Ullman, P.A.)

**Legal Panel** - This diverse panel of legal experts will address the key legal issues pertaining to the commercial finance sector. Panelists will cover a wide range of legal matter and keep attendees up to date on the latest industry developments.

**INTERNATIONAL SESSIONS:**

**Canadian Legal Update** - A panel of Canadian legal experts will review case rulings that have taken place in various Canadian jurisdictions over the past year and discuss their practical implications for Factors and Asset Based Lenders operating in the Canadian marketplace.

**Doing Business in Western Canada** - Every market is a little different. What works in one may not work in another. Our panelists will discuss what does and does not work in western Canada (Alberta and British Columbia) and why. Industry types, cultural differences...
and First Nations issues, amongst others, will be discussed.

- **Differences Between US and European Factors** - Much can be learned from how different markets operate. In the last two decades, the European and particularly the UK factoring market has experienced rapid development and transformation fueled by intense competition. This has led to a number of new products, technologies and strategies. In this session, we examine to what extent the US and European-specific market aspects might lend themselves to each other.

- **Options for Factoring in Latin America** - This panel of experts will be discussing recent legislative changes that affect Factoring in Latin America.

- **Working with Chinese Factors** - China has one of the fastest growing economies in the world. This presents many opportunities for Factors around the world to partner with Factors in China. This panel will be discussing various methods in which Factors that are not based in China may work with Chinese-based Factors to the benefit of all parties.

- **New Technologies to Finance Foreign Receivables** - For many lenders and factors, the risks of lending on foreign receivables have far outweighed the benefits. However, the emergence of new technology is changing that. Our panel will discuss the evolution of the credit insurance landscape, and how technology can successfully be used to finance foreign receivables.

- **Update on World Factoring** - This session will include an overview of different markets and products in 2016. Topics include: which countries and regions grow the most, the details involved with cross-border Factoring, and the challenges and opportunities for Factoring in different regions of the world. New this year, we have put together multiple Roundtable Sessions to give you ample time to network and learn from others with similar roles in the Factoring industry. The rounds are created to allow for an open discussion forum between conference attendees. Each roundtable will be led by industry professionals familiar with the specific group. Roundtable sessions will include:
  
  - **Senior Executives** - Moderated by Allen Frederic (Republic Business Credit) and Pat Haney (Crestmark Bank)
  
  - **Women in Commercial Finance** - Moderated by Robin Barrett (FSW Funding), Laurie Montplaisir, Esq. (Schuyler, Roche & Crisham, P.C.) and Gail Reints (Sky Business Credit)
  
  - **Young Professionals** - Moderated by Crystal Han (Pipeline Financial Services, LLC) and Ryan Jaskiewicz (12five Capital)
  
  - **Attorneys** - Moderated by Steve Kurtz, Esq. (Levinson, Arshonsky &

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.

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Email: alpha@platinumlp.com
Kurtz, LLP) and Mike Ullman, Esq. (Ullman & Ullman, P.A.)

- Small Factors – Moderated by John Cummings (ACS Factors), Kevin Janusz (Cross Key Capital, LLC), David Jencks, Esq. (Jencks & Jencks, P.C.) and Sally Stark (Sierra Capital, Inc.)

- Operations Personnel – Moderated by Sherri McCoy (Liquid Capital Exchange, Inc.) and Aaron Zahedani (Bay View Funding)

ADD-ON TRAINING
If you are a new Factor, an individual new to Factoring, or just wish to brush up on your knowledge, the Factoring Essentials add-on training course will provide you with the background you need to be a successful Factor. Industry experts George Thorson from Triumph Business Capital and Gen Merritt-Parikh from Allied Affiliated Funding will delve into topics ranging from contract basics, Uniform Commercial Code, how to find clients, credit and underwriting, notifications and verifications, the daily business flow and ending the relationship.

WHEN IT’S TIME TO PLAY
Whether you come in early for a round of golf or stay later for a tour of the Grand Canyon, the activities that we have put together this year will give you a taste of adventure and provide more networking time with conference attendees as you enjoy the “Valley of the Sun”. Our golf tournament this year will be at the world-famous TPC Stadium Scottsdale, which has hosted some of contemporary golf’s greatest moments since opening in 1986. If golf is not your game, then don’t miss out on the Old Town Scottsdale Food Tour. Savor the culinary talents of Scottsdale’s renowned chefs and restaurants on this walking tour of Old Town. Guests will indulge in great food, sip fine wine and hear tales full of rich history.

Guests of conference attendees can participate in a tour and lunch to Taliesin West, which is a national historical landmark and the vibrant home of the famous architect Frank Lloyd Wright. You can also extend your trip through the weekend to join us on a tour of the Grand Canyon. Considered one of the Seven Natural Wonders of the World, you won’t want to miss the opportunity to witness the breathtaking views and vistas from the South Rim of the canyon.

If learning is your passion, then join in the Saturday Idea Exchange, which brings together small groups who have common interests in a particular issue. Explore continuing and emerging opportunities and issues in an informal roundtable format ideal for sharing ideas.

NETWORKING, NETWORKING AND MORE NETWORKING
The invaluable networking opportunities provide access to some of the
highest caliber of industry experts and peers in the commercial finance industry. The conference will kick off with the RMP Capital Welcome Reception on Wednesday evening. Companies that have become new IFA members over the previous year will also be invited to attend a New Member Reception that evening to become familiar with the association, meet industry leaders and other first-time attendees. Thursday we will have a Bibby Social in the evening and a Tax Guard Dessert Reception later that night. Friday evening is our Closing Event at Los Cedros. Enjoy dinner, drinks and see one of the most unique horse shows in history. This stunning Moroccan Citadel is a place so extraordinary that few who visit here go unchanged by the experience. The enchanting company of world-class performance horses, with the beauty of the setting sun behind the glorious Scottsdale Mountains, make Los Cedros the perfect event oasis to close out the conference.

FIND YOUR PASSION
Whether your heart lies in learning, growing, exploring or networking, the 2016 Factoring Conference promises to deliver unrivaled educational content, innovative new ideas, influential speakers, a taste of adventure and invaluable networking opportunities for all attendees. With over 800 anticipated attendees involved in the Factoring industry, you won’t want to miss this must-attend event of the year. As one attendee from last year’s conference said, “No other organization comes close to putting together such a worthwhile event providing educational information and a wonderful networking environment. I have been attending various industry conferences and conventions for over 40 years and not one can top the IFA. Already looking forward to the 2016 Annual IFA Conference in Arizona.”

FOR MORE INFORMATION ON THE CONFERENCE GO TO WWW.FACTORINGCONFERENCE.COM

Heather Villa is the Managing Director of the International Factoring Association. She is responsible for managing and directing the IFA’s external communications as well as managing the business affairs of the Association. She assists with event planning, speaker selection and contract negotiations for all training seminars and conferences, including the annual Factoring Conference. Heather can be reached at 805-773-0011 ext 301 or heather@factoring.org.
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EMAIL: info@tax-guard.com
Online-invoice-lending picked up steam, added players, and was backed by a variety of unlikely investors, including actor, Ashton Kutcher and Amazon founder, Jeff Bezos. Of course, we had the familiar competition within our industry. It was crowded out there! It sometimes seemed there were more lenders than borrowers. New clients, and new opportunities came through the door, but there were hurdles to jump. A low-interest rate environment drove demand for low pricing, terms favoring borrowers, and speedy deal decisions. The importance of disciplined deal-making was never greater, but it sometimes gave way to a lenders’ appetite.

**2016 INTEREST RATES: CAUTIOUS FED IS A GOOD MODEL**

The year is nearly over, but the coast is not clear. Up ahead, 2016 looks a lot like the year we leave behind. Many clamor for an increase in interest rates. To some, the Federal Open Market Committee (FOMC), and Chairwoman Janet Yellen, are overly cautious. However, their decision-making might also be described as prudent. The economy is expanding; but it is fragile. Economic growth slowed in the third quarter. In early November, Yellen said that the US economy is performing well, but is being held back by weakness abroad. The FOMC doesn’t want to risk a disruption to the recovery. Rates will rise, perhaps in December, but further increases will come slowly.

**IMPORT AND EXPORT PRICES**

Concern about a lack of pricing pressure is key to the Fed’s position. Yellen’s target is 2 percent inflation. Import and export prices have been falling for a year. Import prices reflect low commodity prices and
the dollar’s strength. Export prices reflect global deflationary trends.

MANUFACTURING
October’s report from the Institute for Supply Management (ISM) showed activity in the manufacturing sector expanded 34 consecutive months. But, of the 18 industries represented, only seven reported growth in October, including furniture and fabricated metal products. Nine industries contracted, among them, petroleum, transportation equipment, and electronic products.

THE CONSUMER
Yellen is monitoring the consumer. Rising employment is positive news, but it isn’t enough to guarantee a rate hike. The Fed’s concern is stagnant wages. One sign that wages may head up is a report from the National Federation of Independent Business (NFIB) indicating its members have solid hiring plans, and expect to compete for a smaller pool of qualified employees.

AUTO SALES
Auto sales rose with employment. US automakers reported double-digit increases in October sales—the highest in a decade. General Motors (GM) expects a record year. Sales were helped by low interest rates and gas prices, and with both expected to remain low, 2016 should be great for automakers.

The sales surge has positive ramifications on the overall economy. In the small town of Hamtramck, Michigan, bordering Detroit, GM invested $1 billion in its assembly plant over the past six years. To meet demand, it is adding a second shift, and more than 1,200 new salaried and hourly jobs.

HOUSING AND CONSTRUCTION
Before raising rates, the FOMC will consider the recovering housing market. In October, the National Association of Realtors (NAR) reported sales of existing homes increased for 12 consecutive months, and 2015 will be the best since 2006. Rising employment and low mortgage rates brought buyers. Affordability is a concern; rising rates could impact sales.

RETAIL SALES
The University of Michigan’s Consumer Confidence Index was up in October, but lower than expected. Wealthier consumers worry the unstable geopolitical situation will negatively impact financial markets. Consumer spending is cautious.

A report from American Express said more than half of small businesses do not expect holiday sales to increase, but the National Retail Federation (NRF) forecasts a rise of 3.7 percent. This is higher than the 10-year average of 2.5 percent.

THEN THERE WAS OIL
Last November, oil was $75 per barrel. Now it hovers between $42 and $45. This helped consumers deal with stagnant wages. But low prices caused a cascade of challenges in the petroleum industry, felt throughout the economy. Analysts predict low oil prices will persist through 2017, and perhaps beyond.

FOR FACTORS: 2016 REALITIES AND OPPORTUNITIES
When interest rates begin to rise, it’s not an “all clear” signal for factors. This year’s low-rates make it possible for some to eke out a profit. Those profits might disappear when rates increase. For some, the cost of funds may rise. If so, that, along with competition on pricing and terms, will make it more difficult to find worthwhile deals.

Tough conditions in oil and gas may force banks to exit the market, and allow factoring companies to regain business. Banks entered the space in recent years with lower prices and aggressive terms. Now, conditions may shift in favor of factoring companies. Traditional banks will soon receive year-end statements from these clients, and may not be prepared to stick with them. Seeking to limit defaults, regulators are monitoring these loans, and want banks to reduce exposure.
If, as predicted, prices remain low through 2017, suppliers and manufacturers will need credit to get through the prolonged rough patch. Factoring companies may be in the best position to provide it. Keep in mind that the average invoice size will be smaller next year, and same-customer sales may go down as well. There is plenty of turbulence ahead. Proceed with caution.

Factoring will be favorable for manufacturers supporting automotive. They will need cash flow to keep up with demand.

Trucking is benefiting from the recovery, healthy construction activity, a stronger consumer, and low oil and gas prices. Factors are in a good position to provide cash flow to this segment. Low oil and gas prices may lower average invoice size, along with same-customer sales.
OTHER NICHES
There is opportunity in staffing, services, and companies supplying to retail. Staffing benefited from economic uncertainty the last couple of years. According to the American Staffing Association, sales dropped from $111 billion in 2008 to $80 billion in 2009, and then rose gradually. In 2014, sales reached $130 billion, and will go up approximately 7 percent this year. Factors are important to this sector because it now faces competition for talent from companies offering full-time jobs.

Furniture sales rose along with house sales, and the industry is reportedly outperforming the rest of the economy. Manufacturers and suppliers will need credit to continue growing.

COMPETITION
It used to be that financial companies with the ability to provide credit held the keys to securing business. Today, there are more options for accessing credit than ever before. The market for speedy access to cash has grown, primarily on smaller transaction amounts. It’s increasingly dominated by online-invoice lenders offering a quick fix to businesses with pressing needs. What these borrowers may be missing out on is the personalized service and relationships offered by quality factoring companies. It’s too soon to tell if online-invoice-lenders are a permanent part of the landscape, and it will be a while before their model is truly tested. For now, they are attracting plenty of media attention and private investment. Watch this sector.

RETAINING CLIENTS
Individual companies, and the industry, need to be proactive about retaining clients. Factors are no longer a high-cost credit option. We add value with supportive services and expert counsel. Success is most satisfying when we improve the overall health of our clients’ enterprises and help them grow.

ATTRACTING NEW BUSINESS
For factoring companies, growth is possible in 2016; robust growth is not likely. Hiring will be flat, so in order to generate new business, it will be essential to guide the efforts of your existing sales force. Consider new ways to add value or products but don’t veer off course. Know what your company does best, and do that.

CONTROLLING COSTS
The companies that stand to perform best are those that monitor and control expenses. They will choose deals with the margin and terms necessary for these transactions. They will say no to deals for deals’ sake.

TECHNOLOGY
I look to technology for efficiency and to enhance client satisfaction. Tremendous strides have been made in cash management, and in liberating staff from onerous paperwork. Technology is transforming the way we move money. But it is not a substitute for sound intellectual credit decisions. The industry should be concerned about business models that rely solely on data before extending credit. Technology can’t replace the client relationship, nor reduce the importance of value-added services. Every day, we are able to contribute to our clients’ successful business outcomes, and influence our deals.

REINVENTION, SURVIVAL, SUCCESS
To succeed, businesses must continuously reinvent themselves. We can add products, extend geographic reach, and expand specialization. The ability to serve many geographic areas and multiple sectors provides some protection next year. It’s important that we are attentive to the economy, and proactive about costs and opportunities. All the while, we need to assess risk. I’m an ardent believer in risk-taking when I know the risk I am taking. In 2016, it’s wise to stick to basic blocking and tackling. •

Dave Tull left a career in traditional banking 20 years ago to found Crestmark Bank. Approved as a Michigan-chartered FDIC bank in 1996, Crestmark set out to help small- and medium-sized businesses get financing not available to them through mainstream banks. Crestmark, which began by offering factoring to clients in Michigan, now offers a broad range of financing products, including equipment leasing and financing, factoring, asset-based lending, and SBA financing, to businesses across the United States. The company has 300 employees and assets of nearly $800 million. Dave’s career in banking spans more than 40 years, and his prior positions include executive vice president of Michigan National Corporation – a $12 billion bank holding company. He has a bachelor’s degree in business administration from the University of Michigan, and a banking degree from the University Of Wisconsin Graduate School of Banking. He serves on the boards of the American Factoring Association, and the International Factoring Association; and is a member of the Board of Trustees of Oakland University, located in Rochester, Michigan. Dave can be reached by phone at 248-267-1600 or by email at dtull@crestmark.com.
Factor vs. MCA

In looking to forecast 2016, the consensus answer would be to say to expect more of the same. All the recent trends will continue: increased competition, more aggressive pricing and structuring, new players and consolidation. Even though I believe all these will continue, that makes for an uninspiring article. Higher interest rates and an uncertain economy? Yes, but I would rather leave that to the economists.

BY DEAN LANDIS

I prefer to make a claim that 2016 will be the year that the Merchant Cash Advance ("MCA") industry comes under greater scrutiny, particularly vis-à-vis its relationship with the factoring industry. The MCA’s aggressive expansion will create new challenges for itself and those directly affected by it. Whereas the factoring industry has traditionally been a credit driven one, the MCA industry is generally marketing-driven. The factoring industry has rarely relied on technology for innovation; the MCA industry is all about technology. Because the intersection between the two industries is ever increasing, it is only natural for conflicts to occur.

I come at this from a unique perspective. Although I started Entrepreneur Growth Capital ("EGC") in 2001 as a continuation of our family asset based lending and factoring business we had sold only two years prior, in 2006, I also started Credit Cash, an MCA exclusively geared toward larger deals with better credit. As far as I know, I was the only lender straddling both industries. Back in 2006, the MCA industry was relatively undeveloped. In fact, it was previously referred to as credit card factoring, since all of our clients needed
credit card revenue which we would then factor. The industry has grown very quickly, attracting large investments from private equity and the capital markets. While the industry has gotten much more sophisticated, it has also expanded to providing capital to just about any size company, level of credit or SIC code.

I was just as shocked as anyone when, a few years ago, a routine UCC search on one of our clients revealed the presence of an MCA loan. Other than being surprised and upset, what could I do? The client was sheepish and defended its actions by stating that EGC had turned down an over-advance request. We contacted the MCA, who thought that they were doing both the client and us a favor. And so I think that 2016 will be the year that the conflict comes to a head.

Some issues to think about. The MCAs are now very well-funded, having added to their balance sheets and been granted large lines of credit. Because their underwriting has gotten far more sophisticated, they can target all ends of the credit spectrum, and there are plenty of MCAs that directly target the low end of the market or, at least, companies with existing UCCs. In most cases, existing lien holders are not only tolerated, but not even contacted for either a termination or intercreditor. MCAs look at clients as transactions, and factors look at them as relationships. One has a short term outlook, the other long term.

Whereas most of us do a lot of underwriting the old fashioned way, MCAs rely on various technologies and can credit approve, underwrite, document and fund a deal in hours. Even the swiftest of us usually require 24-48 hours. Verifications? Credit checking account debtors? Working with or paying off existing lien holders? These are procedures that are rarely deployed by the MCA industry.
So while both the factoring and MCA industries continue to search for new clients, and often share clients, sometimes unknowingly, I see the conflict growing. On one end, I see litigation. Is taking a second position and debiting bank accounts tortious interference? More importantly, is winning that argument a pyrrhic victory? I understand that there are at least two cases before the courts that may determine the answers. I also see alliances between the two industries. Will they be the go-to guys for overadvances? Or will factors start using the MCA method to provide their own overadvances (shorter terms at higher rates)? I’m hoping that as the MCA industry matures, their best practices will not only include working with clients with prior liens, but will also teach them how to work with a factor in a constructive fashion, not willfully ignoring us.

Will the MCA industry become regulated? Will that regulation follow to our industry? I think that as the MCA industry grows, and the larger companies become more high-profile, either by going public, or constantly advertising on television and radio, the industry cannot escape the eye of regulators, especially because there is an argument to be made that MCAs are analogous to commercial payday lenders. Regulation will take time, so trade groups would be wise to promote best practices. The IFA and AFA must continue to educate their constituents to make sure the

Continued on page 28
2016 Outlook: The Global Economy, FinTech and the Presidential Election Will Try to Kill You, But Won’t Succeed Just Yet

Financial manufacturers including banks, factors and all manner of secured and unsecured lenders must prepare for accelerating uncertainty in 2016. Global economic turbulence, a rapidly shifting lending landscape full of FinTech start-ups, and the looming presidential election could stand in the way of more champagne and caviar. There are plenty of reasons to ignore Einstein’s famous adage now: prepare at once for war and peace.

BY DEAN LYULKIN

There is also much good to toast come December 31. Lenders that kept their foot on the accelerator over the past five years are enjoying record originations and rising valuations. And the party is likely far from over.

ECONOMIC UNCERTAINTY ABounds

The global economy is flagging by all reasonable measures. Demand for raw materials cratered over the past 18 months, leading to an implosion in emerging markets currencies and demand for products from industrial conglomerates like Caterpillar and Komatsu. Caterpillar’s stock is now down almost 40% from its peak.

Oil prices recently plunged more than 50%, aided by the US fracking boom’s disruption of global supply. Terror and political upheaval in Egypt, Israel, Iraq and Syria can’t seem to bring the oil industry patient back to life. That points to a serious demand problem.

The US and Germany remain the only real bright spots left in the world. China’s economic engineering has so far placated investors, but there is no doubt that scary blend of central planning and free markets is fraught with risk for unhappy surprises next year.

Domestically, the credit cycle may be getting long in the tooth. Loans tracked by the Federal Reserve Bank of St. Louis are at all-time highs. Commercial bank loan volume charting demand from prime business borrowers increased from $1.2 trillion in 2010 to $1.9 trillion today. That compares to a pre-recession peak just under $1.6 trillion.

Amazingly, commercial loans have caught up to real estate loans on banks’ balance sheets. This is as much a sign of easy credit for mid-size and large companies as it is the aftermath of regulatory reaction to the housing bubble.

The US economy remains resilient, with a combination of strong consumer spending continuing to rebound from the depths of the recession, and productivity gains fueled by the most innovative technology sector in the world.

Stocks are broadly flat so far in 2016, but could easily reach new highs at year-end. Fear of heights is never a good reason to walk away from a financial strategy. Behavioral finance teaches us charts have little in common with actual mountains.

Although publicly available corporate earnings have grown far faster than GDP since the recession ended, the media remains skeptical.
about the health of America’s small businesses.

To gauge small business performance, we look to the Equipment Leasing and Finance Association’s (ELFA) MLFI-25, an index tracking lending activity across 25 popular lenders to credit-worthy small businesses. The MLFI-25 new volume index grew 8% in 2014 while 2015 was trending at 3-4% over the first three quarters. In a sign of caution, new business now seems to be stalling.

Business investment has been criticized during this economic expansion. Big corporations take public heat for stockpiling cash and using it to buy their own shares, instead of investing in new projects and equipment. But the contraction in capital spending is truthfully related to the plight of the US energy sector. Remove oil firms from the equation and capex is growing nicely.

FINTECH IS EATING YOUR LUNCH

Arguably, the growth of traditional small business finance originations would look a lot better if alternative lenders weren’t taking so much market share.

The internet’s supposed democratization of lending feels new. But FinTech companies are spending hundreds of millions on radio, direct mail and TV advertising. There is nothing new about that.

FinTech’s business lending leadership comes in the form of CAN Capital, On Deck Capital and Lending Club. Publicly traded On Deck saw originations rise by 50% year-over-year so far in 2015, but costs are up 100% and its new business growth rate is falling.

The firm’s ability to sell nearly $500 million in capital each quarter surpasses most independent business lenders with far longer track records by a mile. But even as their originations are becoming profitable, the plunging stock prices of On Deck and peers like Lending Club reflect investors’ increasing skepticism in the “Tech” portion of “FinTech.”

For now, FinTech is a moniker reserved for any firm with a fancy website, taking business from traditional lenders and credit card companies. The credit methodology used is of little consequence and largely ignored. Any black box will do, so long as it issues an approval. This is reminiscent of 2007. Default rates are low now, so keep the pedal pinned to the floor, they say. There is still plenty of room for more suicidal risk-taking.

Small businesses are inundated with marketing offers from lenders offering short-term unsecured loans based on sales, not profits. The lenders are all betting that small businesses with under $5 million in sales can pay 5-10% of said revenues back over 6-18 months with a daily or weekly payment that carries an APR of 30-50%. Keep the term short enough and the default risk contains itself for now.

What begins as a conversation about short-term needs and an expensive bridge loan, quickly engulfs equipment and may act as a substitute for factoring and credit cards. The product is quick and convenient. And banks are not interested in filling this immense gap in a toxic regulatory environment brought about by the Dodd-Frank Act.

A business with $1 million in revenue can get $100,000 wired into its bank account in a matter of hours. The business owner views the
loan as paying back $1.20 for every dollar borrowed. That’s quick math of twenty percent. But the APR is closer to 35% if payments are made monthly or 38% at 21 daily payments per month.

The power of this market is evidenced by the entry of equipment finance veterans into the space. Ascentium Capital, Pawnee Leasing and Marlin Business Services have all entered the marketplace with short-term, unsecured loan products now growing much faster than their equipment lending businesses.

For now, if you can’t beat them, join them. Growth is good, but new entrants must manage both costs and risk very carefully. Acquisition costs and third party originator payouts are peaking. Even a small uptick in defaults can be devastating with enough leverage.

The good and bad news is it doesn’t take a genius to create an unsecured loan portfolio with an average term at or below 12 months. A college freshman can create a basic model to analyze the components of a bank statement and apply a few basic rules to back into a term and loan amount using personal credit reports on ownership and business credit data from a source like Experian.

DANGER: LOOSER UNDERWRITING AHEAD

Unsecured business loans are rapidly moving to 24-36 month terms for businesses with relatively healthy bank statements. Some lenders offer loan sizes equal to 15-20% of annual sales.

It’s hard to imagine things won’t push further in 2016 towards lower rates, longer terms and easier credit for borrowers that don’t deserve it. That will surely make any future downturn more painful, but it can’t be stopped as competition heats up.

But for now, lenders offering monthly payments and APRs under 30% are also employing greater underwriting scrutiny that translates into longer approval times. These lenders are mostly having trouble securing significant funding and market share.

DON’T FEAR THE FED

Lenders’ access to capital should be generous throughout 2016. The Federal Reserve has shown no willingness to raise interest rates and private investors have few options in a search for yield. Even a December rate hike is not a sure thing. Any minor blip in US or even global markets and the Fed takes its finger off the trigger. The truth is that raising interest rates far or fast is not politically feasible.

The Fed works for the administration and the Democrats want to be re-elected. To make sure that happens, the punch bowl must not be taken away. The party must not end until the new guy or gal, as the Democrats hope, takes office. Monetary stimulus keeps markets primed and should provide a nice, final leg up in this massive bull market and economic expansion.

THE ELECTION IS NOT A THREAT

We are past the summer stock market correction with the economy intact. The fourth year of the presidential cycle is positive 75 percent of the time, only outdone by the third year we are in now. The reasoning is simple and basic. Politicians are focused on one thing-getting reelected.

That means no major legislation and nothing drastic in terms of proposed policy changes. This is amplified in a lame duck period where the president has cemented some legacy over seven years that will be reinforced by keeping his party in power. That means keeping the Fed on task, providing stimulus and keeping legislation away from Congress, which already stands in stark opposition to the White House.

The stock market loves this scenario. Losers hate losing about twice as much as winners like winning. Behavioral finance pioneer and Nobel Laureate Daniel Kahneman’s teachings on loss aversion are as applicable to politics as they are to investing. A quiet Congress means fewer legislative losers among corporations and individual investors. Forecasts are anybody’s guessing game, but the current expansion should have one more leg up to defy everybody’s expectations.

STAY CONSERVATIVE IN 2016 OR GET THAT WAY FAST

2016 is a pivotal year: the presidential election, Fed policy and the rapidly shifting landscape for small business lending products will dictate how it affects everyone’s bottom line. IPOs, mergers and new rounds of capital in the lending space will also play a role in how the year shapes up. We remain optimistic that the market has another leg up remaining.

US mergers and acquisitions stand at a record near $2 trillion this year, over 40% higher than the previous 2007 record. And US deal volume accounts for half of global M&A, the highest share since 1999. Not surprisingly, Technology M&A is over 50% higher than its previous 2000 record.

IPOs in Q3 2015 were down 43% year-over-year to 34 deals. For the first time since 2011, average IPO returns were negative four percent and more IPOs ended the quarter...
below their offer price than above it. All of a sudden, ludicrous private valuations of technology firms like Square and Dropbox are being called into question before they go public. Coupled with On Deck and Lending Club’s revaluations once public, these are not great signs for FinTech companies rearing to go public soon like CAN Capital and BFS Capital.

Ownership and investors looking for exits will find 2016 the right time to buy a sailboat and make like Eddie Murphy and Dan Aykroyd in the finale of Trading Places. Lenders sticking around should maintain their course of growth, albeit a conservative one with reasonable leverage. The clock is ticking on the punch bowl. It could be taken away any time.

Since joining Commercial Finance & Leasing Bank of Cardiff in 2007, Dean has been instrumental in broadening the firm’s small business product portfolio. The firm has grown from offering clients equipment financing and credit cards to now include non-traditional lending products like working capital loans and factoring. Dean’s day to day responsibilities range from capital markets activities and data analytics to human capital and operations. Prior to joining Bank of Cardiff, he was a shareholder and Group Vice President at Fisher Investments, a privately-held $40 billion asset management firm. Dean held several leadership positions in trading, capital markets research, and direct marketing. He holds a BA degree in Economics from UC San Diego. Dean can be reached by phone at 858-866-9253 or by email at dean@cardiffcorp.com. You can learn more about Bank of Cardiff at http://www.bankofcardiff.com.
Looking Ahead to 2016, What Will Washington Bring?

BY JEFF ROSE, COO, Enoble Business Capital (formerly National Bankers Trust)

This issue is about looking ahead to 2016. Next year will be a big year for Washington and the direction our economy will take under new leadership after the elections. Will there be another recession? Are we already in a recession? Where are interest rates going? How will the economy fare given the political and social climate domestically and abroad?

None of us can predict the future, especially when it comes to determining what our friends in Washington will do. However, the one thing we can all agree on is the probability there will be more, not less, regulation in our future.

The AFA’s message to Washington is simple. Factoring provides funding for businesses in our country, which would otherwise not have access to money to grow and meet their obligations. Should factoring become subject to regulatory oversight from Washington, our economy would surely suffer.

This last October, I was fortunate enough to be one of the AFA members who went to Capitol Hill to meet with Senators, Representatives and their staff. I always find the meetings and discussions interesting and a reminder of why we all need to be involved.

The questions and discussions in Washington afford the AFA an insight into how the different factions in our nation’s capital view the economy and factoring’s place in it. These meetings offer an opportunity for those of us outside the beltway to provide feedback to our representatives in an unfiltered way that only a face-to-face meeting allows. The cynic in me is generally pleased to see the response we get from both sides of the aisle.

I believe the discussions are beneficial for all parties involved, and therefore are worth the time, money, and effort expended on

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2015 Members & Donations

As of November 23, 2015

Diamond Member ($10,000+)
Apex Capital Corp
Bibby Financial Services, Inc.
Crestmark Bank
D & S Factors
ENOBLE Business Capital
Gulf Coast Business Credit
International Factoring Association
J D Factors
TBS Factoring Service, LLC
Triumph Business Capital

Platinum ($5,000 - $10,000)
Accord Financial, Inc.
Far West Capital
Interstate Capital Corporation
Millennium Funding
MP Star Financial, Inc.

Pavestone Capital
Phoenix Capital Group, LLC
RMP Capital Corp.

Gold ($2,500 - $5,000)
Allied Affiliated Funding
Commercial Business Finance
Federal National Commercial Credit
FSW Funding
Gateway Commercial Finance, LLC
Lenders Funding, LLC
Republic Business Credit, LLC
SouthStar Capital, LLC
United Capital Funding Corp.
Vertex Financial, Ltd.

Silver ($1,000 - $2,500)
12Five Capital
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Brookridge Funding
CapFlow Funding Group
Factor King, LLC
FactorPlus
FirstLine Funding Group
Levinson, Arshonsky & Kurtz, LLP
Match Factors, Inc.
Paragon Financial Group, Inc.
Prosperity Funding, Inc.
Spectrum Commercial Services Company

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Advantage Business Capital
American Funding Solutions LLC
Commercial Finance Consultants
Mazon Associates, Inc.
QC Capital Solutions
WHAT’S NEW AT IFA   NOVEMBER/DECEMBER 2015

Our Preferred Vendors have undergone a screening and evaluation process. When you contact the Preferred Vendors, you will need to indicate that you are an IFA member to receive your benefit. If you offer a good or service to the Factoring Industry and are interested in applying for Preferred Vendor Status, please contact the IFA at 805-773-0011.

ASSOCIATIONS

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

**Colombian Association of Factoring (CAF)**
www.caf.org.co

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

**International Factors Group (IFG)**
www.ifggroup.com

**Romanian Factoring Association (RFA)**
www.associatiadefactoring.ro

CERTIFIED EMAIL

RMail
Go Paperless. Switch to RMail to Send your Important Notices. RMail services allow factors to end disputes attributed to missing, misplaced or denied receipt of notification emails for notices of assignment, notices of default, borrowing base certificates, and other important notifications. It also helps speed invoice collections with proof of invoice delivery irrevocably starting the accounts receivable aging clock.

www.rpost.com/ifa
IFA Members save $300! Subscribe to 1000 units RMail plan for only $390! (Normally $690)

CONSULTING

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

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

FactorHelp
FactorHelp has come to be regarded as the factoring industry’s premier resource provider. Their manuals, in use on every continent of the world, are setting the industry standard, and their reputation as the one-call solution for factoring problems is growing. By consistently introducing innovative, viable products, vigilantly cultivating an extensive alliance of Strategic Partners and providing the professional expertise demanded of an industry leader, FactorHelp strives to maintain its goal of providing the unparalleled service the factoring industry expects from a solutions partner.

Phone: 972-722-3700 • www.factorhelp.com
IFA Members receive a discount of 10% on their consulting fees and 5% discount on all FactorHelp products in the IFA store.

CREDIT

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

Phone: 855-ANSONIA • 855-267-6642 x.103
www.ansoniacreditdata.com
IFA Member Benefits: Free VIGILANTE™ Portfolio Analysis. Try Ansonia’s unique new program for monitoring credit portfolio risk. Call today to receive a comprehensive review of your entire portfolio.

Credit2B
Credit2B empowers accurate and timely decisions by connecting the credit experiences of peer suppliers around common business customers. We combine this information with significant third party data and public filing information to provide a comprehensive financial view of risk, all in real time so you can make decisions quickly with up to the second information. Our dashboard also provides custom scoring, alerts monitoring, peer benchmarking and comprehensive data pack solutions for larger enterprise needs.

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 • www.epaymentamerica.com
Email: factoring.program@epaymentamerica.com
IFA Member Benefits: Interchange Plus Pricing™ Bundled Monthly Service Fee of $30.00 (includes IRS regulatory compliance, account maintenance, PCI compliance, virtual gateway & online management tool.) “Based on volume/transaction count.

DISASTER RECOVERY SERVICES

Agility Recovery
For the past 25 years, Agility Recovery has been a premier provider of onsite recovery solutions across the United States and Canada. When disaster hits, Agility will be on the scene, providing you with any, or all, of the critical elements you need to keep your business in business: power, space, technology, connectivity. Membership also includes access to a dedicated Continuity Planner and secure access to your myAgility planning portal to assist in building and maintaining your business continuity plan.

Phone: 704-341-8700 • www.agilityrecovery.com
Email: salesupport@agilityrecovery.com
IFA Member Benefits: 5% discount to each respective client’s monthly ReadySuite membership fee.

FUNDING

RMP Capital Corp.
RMP Capital Corp. is a best-in-class provider of Rediscounting Lines of Credit to Independent Factoring Companies with portfolios from $250,000 to $3,000,000. Understanding the needs of the Independent Factoring Company is the driving force behind a funding program which has helped clients build their operations and grow their portfolio. With over 10 years of industry experience, RMP Capital Corp. prides itself on taking the time to understand its client’s needs, which helps its clients realize their potential and achieve their goals. From providing capital to providing support, RMP Capital Corp has the solution for you.
MARKETING

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

Phone: 610-631-5702 • www.50wordsmarketing.com

IFA Member Benefits: IFA Members will receive free five hours of marketing services with the purchase of any marketing service. (Offer to new clients only)

 PURCHASE ORDER FINANCING

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

Phone: 469-402-4000 • www.rmptradecredit.com

Email: ngoldberg@rmptradecredit.com

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

RECRUITMENT AGENCY

Commercial Finance Consultants
Established in 2002, CFC is the premier provider of human talent to the factoring industry. CFC’s goal is to provide their clients with the best available human capital and the most current industry information to assist in accomplishing their growth potential.

Phone: 410-233-6300 • www.commercialfinanceconsultants.com

Email: jdicamillo@rmctradecredit.com

IFA Member Benefit: 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 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 smart phone. As a web-native program, there is no extra cost for setting up your account or to access your data; further, you receive three hours of free training online. FactorFox’s various versions make it suitable for nearly any size factor.

Phone: 866-432-2409 • www.factorfox.com

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

TAX COMPLIANCE

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

Phone: 303-953-6308 • www.taxguard.com

Contact: Heather Love

Email: ngoldberg@rmptradecredit.com

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

TRANSPORTATION

ExecuCar
This is a premier luxury sedan service that offers private transportation with experienced professional drivers. Whether you are heading to the airport, a business meeting or social event, ExecuCar will get you there safely, in style and comfort.

IFA Member Benefits: Save 10% on your roundtrip transportation by booking online with ExecuCar at www.execucaar.com. Use the following Discount Code: CCLMC

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SuperShuttle is the nation’s leading shared-ride airport shuttle service, providing door-to-door ground transportation to more than 8 million passengers per year. Their friendly drivers, comfortable vans and reasonable rates take the hassle out of getting to and from 33 airports in over 50 US cities and surrounding communities.

IFA Member Benefits: Save 10% on your roundtrip transportation by booking online with SuperShuttle at www.supershuttle.com. Use the following Discount Code: CCLMC

UCF SEARCH

First Corporate Solutions
First Corporate Solutions is a full service public records provider specializing in the research, retrieval and filing of public records nationwide and internationally. Their services include industry standards such as UCC, lien and litigation searching, UCC and corporate filing services, nationwide registered agent coverage and real property title searching, as well as unique solutions such as state and county account monitoring designed specifically for Factors.

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.

AFA UPDATE
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behalf of our industry. The discussions range from explaining the basic workings of factoring, to the details of what members are doing in a specific congressional district.

The AFA is working hard in Washington to make sure your voice is heard and to make sure we have input before we are subject to any regulation. If you ever have the opportunity to participate in an AFA Washington trip, please take the opportunity to give back to our industry.

I am sure you will get more out of the experience than you give.

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.

IFA CALENDAR EVENTS

January 12, 2016
Collection Case Study Webinar
Webinar 1pm-2pm PST

January 27-29, 2016
Presidents & Senior Executives Meeting
Trump Ocean Club International Hotel & Tower, Panama City, Panama

March 8, 2016
Luncheon Meeting with NYIC
Arno Ristorante New York, NY

April 13, 2016
Factoring Essentials Training
Fairmont Scottsdale Princess
Scottsdale, AZ

April 13-16, 2016
Annual Factoring Conference
Fairmont Scottsdale Princess
Scottsdale, AZ
Taking Over The Other Factor’s Deal—It’s More Common Than You Think

The most common way to take out an existing factoring deal is for the incoming factor to buyout the existing factor. In a typical buyout, the incoming factor pays the outgoing factor the amount of the client’s obligations, hopefully signs off on the standard IFA endorsed Buyout Agreement, the outgoing factor terminates its lien, and the incoming factor now manages the deal.

However, for a number of reasons, the incoming factor cannot always be assured of funding from a first lien position, if it goes through the buyout route. When a factor sees a good opportunity in a new deal, but is not able to obtain lien releases, subordinations, or for whatever reason, cannot fund in a first position, there is still an opportunity to keep the deal. Instead of walking away from the transaction, the incoming factor is assured of being in a first position by purchasing the outgoing factor’s entire suite of deal documents, and taking a complete assignment of all of the outgoing factor’s position - both in the transaction documents (the factoring agreement, guaranties, and all other documents between the client and the outgoing factor) and the UCC-1. Once the incoming factor purchases the outgoing factor’s transaction documents and receives the assignment of everything, including the UCC-1, the incoming factor steps into the shoes of the outgoing factor, and is able to fund from a first lien position. It is important to note that to properly take over an existing factoring deal you need to take an assignment of the existing agreements and the UCC-1. Some persons have attempted to just take an assignment of a UCC-1. This does not work and the factor is left unperfected.

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The ability to purchase the outgoing factor’s entire suite of documents and receive an assignment of the lien position is premised upon sound contract principles, which works in conjunction with the UCC. The first step is the attachment of the security interest, which is accomplished through the factoring agreement. The factoring agreement should provide for a grant of a security interest in the specified collateral to secure the factor client’s obligations to the outgoing factor. The factoring agreement should provide a comprehensive definition of obligations and should contemplate the concept of the outgoing factor giving future advances to the factor client. Every factoring agreement has some form of boilerplate language towards the end - the part that includes venue provisions, jurisdiction, integration clauses, choice of law, and similar provisions. Included within the boilerplate language of any good factoring agreement, will be language which states that the contract is binding upon the outgoing factor’s successors and assigns. This means that the outgoing factor can assign all of its rights in the factoring agreement, and the agreement is binding against the factor client in favor of all successors and assigns of the outgoing factor. The tools are already in place for the outgoing factor and incoming factor to make this deal to take over the entire suite of documents.

The complete takeover of the outgoing factor’s rights and lien position is binding upon all junior lienholders including those who did not want to subordinate in the first place, and their consent and cooperation is not required for the takeover. The UCC provides in Sec. 9-201 that the terms of the security agreement are binding upon the debtor and all other creditors. The other creditors include all junior lienholders. The UCC allows for the assignments of a secured party in the financing statement, and contains all of the language necessary for the deal to be properly transferred. The incoming factor must also make sure that the outgoing factor’s lien is documented and perfected. If the documents have flaws in any manner, the assignment and assumption agreement should not proceed forward and the incoming factor should walk from the deal. Assuming that the outgoing factor’s document package is complete, in order, and the lien is perfected, if the deal is large enough, the incoming factor may wish to conduct a field exam on the client’s business.

The outgoing factor’s work in an assignment and assumption agreement is pretty easy. It mainly needs to be truthful and forthcoming in the deal - even though the assignment and assumption agreement will put the risk of the transaction on the incoming factor. The outgoing factor mainly needs to do what it would do in a buyout transaction with respect to getting its payoff number in order and doing whatever it typically does when a deal leaves. The outgoing factor will need to gather up all of its original documents, because it will be selling these documents to the incoming factor.

The transaction is then accomplished through an assignment and assumption agreement, which is not overly complicated. In terms of rights and responsibilities, it will be skewed slightly in favor of the outgoing factor. The incoming factor will represent and warrant that it has done all of its own independent investigations, is not relying upon the outgoing factor’s representations, is a sophisticated party, and is buying the documents “as is and where is”, with very little representations and warranties from the outgoing factor. The agreement will transfer all right title and interest to all of the deal documents and provide for an assignment of the outgoing factor’s lien and security interest, which will be recorded as

If the documents have flaws in any manner, the assignment and assumption agreement should not proceed forward and the incoming factor should walk from the deal.

This is done frequently. The UCC is also a race statute - meaning that whoever records its lien first wins and holds the senior lien position. In other words, with the right set of agreements in place, and with a basic assignment and assumption agreement, the incoming factor steps into the first position of the outgoing factor and consent from the junior creditors is irrelevant and unnecessary. The means for the incoming factor to take over the entire transaction is done through an assignment and assumption agreement.

Before closing an assignment and assumption agreement, the incoming factor will be required to do its due diligence, and the level of the due diligence is not much more than what it would do if the incoming factor did a simple buyout with the outgoing factor. The incoming factor needs to know everything about the factor client and why the outgoing factor is willing to part with the transaction. The extra level of diligence is needed to examine the outgoing factor’s documentation of the transaction. That will require a review of all of the transaction documents - the factoring agreement, all amendments, all other financing documents, all guaranties, the financing resolutions, the UCC-1 and all other documents. The incoming factor is essentially making sure that the outgoing factor’s document package is complete and in order,
The incoming factor will want representations from the factor client and guarantor that the documents are all in order, the obligations are owed without any defense of offset, and that it will honor all of the terms and conditions of each and every agreement. This is one instance where both the incoming factor and the outgoing factor will benefit from the factor client and guarantors giving full and complete releases to the outgoing factor. The incoming factor will want the outgoing factor to confirm that it has the authority to do the deal, that it has not granted subordinations of any of it rights to any person or assigned its rights to anyone else. The incoming factor will want the outgoing factor to agree to forward collections to the incoming factor in the same manner as is done with most buyout agreements and certainly the IFA Endorsed Buyout Agreement. Once the transaction is complete, the incoming factoring can migrate the deal over to its own set of documents by doing amended and restated agreements which essentially provide that the incoming factor’s agreements amend and restate all of the outgoing factor’s set of agreements.

The assignment and assumption agreement is very similar to the IFA Buyout Agreement, except that the incoming factor will come into possession of the entire suite of outgoing factor’s documents and lien position. This form of deal is becoming more common in the industry. It is not unusual for the factor client to have inventory financing, junior liens in favor of non-insider investors, or merchant cash advance liens. Getting all of these parties to agree to a subordination which makes sense to the incoming factor can be an expensive and difficult proposition. This makes the assignment and assumption agreement a more attractive prospect. Indeed, there are several players in the industry who have developed forms of acceptable and standard documents which makes this transaction easy to accomplish. This form of transaction may, in the near future, rise to the level where the IFA may have a form of endorsed agreement. •

FACTOR VS. MCA

Continued from page 18

two industries do not get looped together.

One interesting trend in the MCA world is that several industry players are now structuring their advances as loans. In order to avoid usury, they are essentially renting bank charters of willing banks in usury-friendly states. Although this is currently legal and above board, I can see regulators frowning on this. At some point, the result may be not only putting the brakes to it, but also seeing where banks might also be using their charters for other non-bankable ventures.

So what does all this mean to our industry? We can’t ignore the MCA world. We must find ways to work with them so our client relationships are protected, not harmed. As in years past, several MCAs may exhibit at our conference in Scottsdale. I encourage readers to spend time with them. Find out how their marketing strategies may conflict with ours. Ask what their protocol is if they find out that a prospect already has a factoring relationship. Are they open to an intercreditor agreement? If so, perhaps we can create an industry standard form similar to our standardized payoff letters and DACAs.

Lastly, we must learn from their growth and success. We, too, can use technology to improve our systems. Although I am not an advocate of the three-hour closing, I do see merit in using new systems to review such items as bank accounts and credit scores. So while we must continue to compete at the top of our game with one another, we must also keep an eye on disrupters and make sure we learn from them, not lose business to them. •
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Small Biz Online Lenders vs. Factoring

By reading the title of this article you would assume that both players are on the same team. Anyone who is remotely connected with the invoice factoring industry knows what I’m talking about. Over the last few years there has been an onslaught of small business online lenders offering business loans and lines of credit in less than a day.

Many of these lenders are automated with online apps that can give a prospective business a credit decision in less than ten minutes. Just the other day, while I was driving to my office, I heard four different lenders advertising to small businesses, promising one day funding with little or no collateral requirements. Does this sound too good to be true? Depending on which side of the fence you reside, your answer may vary.

To be perfectly clear, the objective of this writing is not to determine which side to choose but rather look at the two sides objectively and determine how we as factoring companies should approach and compete fairly. Let me first start by saying this new breed of online lenders is here for now, and whether they are a flash in the pan or a long term player has yet to be determined. We do know that factoring remains a viable solution for many businesses and will continue to thrive in the years to come. The underlying future concern should be how factors compete against this new breed of lenders and how to maintain market share in the lending arena.

The first question asked by many of my colleagues in the factoring industry is how these new online lenders have gained so much traction in such a short period. From my perspective, there are several key differences that have fueled their expansion. The first and most obvious reason is the simplicity and speed of the transaction. I have a friend that was in business less than a year and he was able to get loan approval in about two hours and had a $75,000 line of credit in less than a day. Getting a bank to approve you for a line of credit that fast is impossible. In most cases he would have been turned down immediately since he was in business for such a short period of time. A factoring company would have considered him but I’m doubtful he would have been approved and funded that quickly. Granted there are exceptions but this is not the first time I’ve heard of a small business getting a loan this quickly from these lenders. Unlike invoice factoring or a traditional line of credit many of these lenders do not even file UCC-1 statements on their clients. Think about that statement. In essence, the borrower can get an unsecured loan and due diligence that takes
As more millennials enter the marketplace as entrepreneurs, adapting to the latest and greatest automation tools will be vital for the factoring industry.

place in just a few hours.

Another point to consider in the accelerated popularity of online lenders is to look at the technology aspect in everyday business operations. In my previous article, “Old School Factoring”, I compared running a business today to that of about twenty years ago. Gone are the days of companies that are chained to the office staring at a desktop computer. The mobile technology boom allows us to easily commutate and conduct business easily through a laptop, tablet and in many cases a basic smartphone. As more millennials enter the marketplace as entrepreneurs, adapting to the latest and greatest automation tools will be vital for the factoring industry.

So how does this new wave of automated small business lending shake out for factoring companies moving forward? In all my years in business as an accountant, CFO and now as a CEO, I’ve learned that it is imperative to never underestimate your competition. No matter what cycle your industry is in, there is always someone looking for a way to change the process to make it quicker, easier and, in some cases, cheaper. Embrace change, whether it is updating an outdated process or simply utilizing a mobile banking app that can save you time and effort. With that said, experience has taught me shortcuts and following the herd to the latest fad in lending can prove to be a toxic mixture with many consequences. Let me illustrate my point. Here we are in 2015 and many believe that we’ve had a full housing recovery, the stock market has rebounded and consumers are spending more of their disposable income on durable goods. Let’s travel back just a few years ago when the housing market was so hot that home prices rose every other week. It was during the pre-financial collapse in the early 2000s when Fannie Mae and Freddie Mac began to expand their purchase of CMOs (collateralized mortgage obligations) from private mortgage companies. This, in turn, led to a demand in mortgage originations, thus leading them to lower their underwriting standards. In other words, the mortgage lenders were chasing the borrowers. When home prices declined, the bubble burst and the rest is history. The reason why I refer to this example is because I feel there are some parallels worth noting. First to note, we are seeing a flood of lenders all chasing the business owner, creating a demand to get loan production. Secondly, I get concerned when I read about lenders skipping UCC-1 filings or a company that underwrites and approves a client in less than ten minutes. This is not to say all online lenders operate in this manner but many make these claims.

Only time will tell if this business model is a flash in the pan or a viable alternative for small business owners. Either way, we will continue to adapt, be nimble, and stay true to our core values. We’re still very much in the camp that an ounce of prevention is worth a pound of cure. •
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