The Commercial Factor

Newsletter for the Factoring Industry

International Factoring Association

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In This Issue

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Memphis

The 8th Annual Factoring Conference will be held in Memphis, Tennessee on April 3-6, 2002 at the historic Peabody Hotel. The line-up of speakers and events promises to make this the best conference yet.

Some old conference favorite speakers will be joining us again, in addition to some great new speakers. Returning for this conference will be Bob Zadek with some new and interesting topics. Also returning will be Mike Ullman, who will be speaking with John Kiefer of Capital Factors about factoring temp agencies. Other attorneys will be discussing federal tax liens, subordination and intercreditor issues. David Pearce Snyder, a strategic forecaster will be discussing how to distinguish short-term fads from long-term realities. Other topics to be discussed include strategic marketing, sales and motivation and background investigations. Three interesting panel sessions have also been added including a panel discussing fraud, setting credit limits and a valuation panel. In addition to this great line-up of speakers, look for more than 25 diverse exhibitors in the Exhibit Hall. For more detailed information about the conference program, visit the web site at www.factoringconference.com.

The site of the 2002 Factoring Conference is the historic Peabody Hotel in downtown Memphis. The hotel is more than 130 years old and is a national historic landmark. The Peabody is best known for the Peabody Ducks, which spend the day lounging in the lobby fountain. Every day, the ducks arrive precisely at 11:00am, marching on their own red carpet to the music of John Philip Sousa, from the elevator to the fountain. In addition to the ducks, the hotel boasts four restaurants, numerous shops, an athletic club and a Lobby Bar. For more information about the Peabody and to view video clips showing the world-famous duck march, about the Peabody, visit www.peabodymemphis.com.

One of the highlights of the Factoring Conference is the banquet dinner on Friday night. Attendees always enjoy the opportunity to network with each other at this relaxed event and this year's banquet dinner will not disappoint! Cocktails and hors d'oeuvres will be served on the Plantation Rooftop, followed by dinner in the Skyway Ballroom of the Peabody Hotel. From the Plantation Rooftop, guests will enjoy views of the Mississippi, and Peabody Duck Palace (home of the Ducks when they are not in the lobby.) The Skyway Ballroom is a fully-restored Swing era supper club. During the 1930s and 40s, CBS radio broadcast Big Band music nationwide, live from this room. Many entertainers such as Tommy Dorsey, Paul Whiteman, Harry James and Smith Ballew appeared regularly. Appearing live in the Skyway for the Factoring Conference will be recording star Leon Russell. Leon recorded several solo albums since the 1970s and has been featured in concert with George Harrison, Ringo Starr, Eric Clapton and Bob Dylan.

The Peabody is located in the heart of downtown Memphis, just a few blocks from Beale Street. Beale Street features fabulous nightclubs, shops and restaurants offering a variety of food, gifts and live music including traditional blues, rhythm & blues, jazz and rock n'roll. Some of the clubs that can be found on Beale Street include B.B. King's, Blues City Café, and Elvis Presley's Memphis. All clubs feature live music and several have outdoor open-air concerts.

Adjacent to the hotel is the brand new Peabody Place Entertainment and Retail Center. This complex offers visitors a one-stop-shop for fun and excitement with a unique mix of entertainment, dining and shopping options unlike anything else in the region. Within its massive 300,000 square feet of space there is a wide variety of fun things to do, including a 22-screen movie megaplex and a 500 seat IMAX theater.

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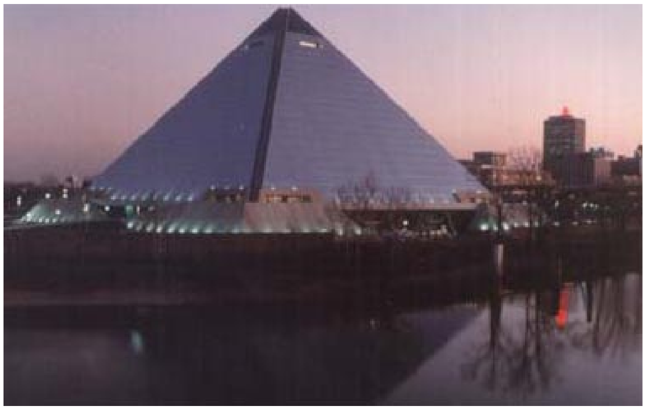
No trip to Memphis would be complete without a pilgrimage to Graceland, home of the late Elvis Presley. Visitors can tour the mansion including the living room, music room, Elvis' parent's bedroom, the "jungle" den in the main house, and several other rooms. Other areas that can be toured include the Automobile Museum, featuring his famous 1955 pink Cadillac, the customized Lisa Marie jet, and a museum featuring Elvis memorabilia. The Factoring Conference will be offering a tour to Graceland on Saturday, April 6th following the last conference session. For more information about signing up for this tour, please visit the conference web site at www.factoringconference.com.

Memphis is also home to several other attractions. The National Civil Rights Museum is housed in the Lorraine Motel in Memphis. This educational museum offers a comprehensive overview of the civil rights movement in an exhibit form. The Gibson Guitar Factory and the Smithsonian Rock n Soul Museum offer tours and are located in downtown Memphis.



One of the most unique structures in Memphis is the Pyramid Arena, which sits alongside the Mississippi River. The Pyramid is the third largest pyramid in the world and at 32 stories tall, towers over the Statue of Liberty and the Taj Mahal. The Pyramid is actually a 21,000 seat sports and entertainment facility, which is home to the NBA Memphis Grizzlies. The Grizzlies will be playing a home game during the conference on Friday, April 5th versus the Houston Rockets. Memphis is also home to two other professional sports teams, the Memphis Redbirds, an affiliate of the MLB St. Louis Cardinals, and the Memphis RiverKings, a minor league hockey team. The Redbirds stadium is within walking distance of the hotel and they will be playing at home April 4, 5, & 6th against the Fresno Grizzlies.

Regardless of your interests, you're guaranteed to have a positive trip to the 2002 Factoring Conference.

- **Did you see the pictures from the latest Factoring Conference?**
- **Missing some of the speaker handouts?**
- **Looking for information about the 2002 Factoring Conference?**

Go to www.factoringconference.com!

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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 to 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 invites the submission of articles of interest to the Factoring Industry. For more information on submitting articles or advertisements, please e-mail info@factoring.org, or call 800-563-1895.

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The Bank Factor

by Wayne Coker

Just today a new client told me, "*The only thing I can't stand are bankers and attorneys*." Yesterday it was a different client who reminded me "*the only time my bank will help me is when I have a big wad of money in their bank*!" When we were talking about how sensitive business owners are to having their customers know they are factoring, I mentioned that some people call factoring the "F" word. My client's response? "*The "B" word or the "F" word, what's the difference*?" And yet, knowing that I manage a factoring company that is a subsidiary of a local community bank in Houston, the owners of these companies still want to see what I can do to help them get a credit line with our bank. So, what's wrong with this picture? Maybe nothing, you say. But if, like me, you came from the factoring world into the realm of bank related factoring, you may be having an identity crisis right about now. (Do you look at yourself in the morning while you are brushing your teeth and scream out, "*What have I become*!"?)

A few years ago I read a statistic that 93% of the factoring done in the United States was performed by bank subsidiaries. And that was before Distinctive Solutions and Private Business and Town Services had saturated the banks with their factoring software/marketing campaigns. Even though some of the smaller banks have moved away from factoring in-house, I would bet that the statistic has only grown. Yes, I'll bet there are a lot of us out there. You just can't tell who we are because we get quiet when you and your factoring buddies start talking, "*Yeah, he's just a banker. He doesn't understand factoring*." (Ouch!)

Bankers aren't stupid.

After nine years of owning my own factoring company, then eight years as a bank subsidiary, I've reached a few conclusions about banks and factoring. These don't apply to everyone, but they sure apply to my own experience. Here they are:

1) Bankers aren't stupid. Yeah, right. No, really. Why don't you try loaning YOUR money out at Prime plus One (5.75% A YEAR!), to folks that are often just as desperate as our factoring clients, but happen to look good, smell good and, oh yeah, carry a nice set of financial statements. And tell them they can pay it back a little bit each month for, say, the next five years. Now that sounds really scary, doesn't it! Bankers do it all the time, and they make money at it. Oh, but they have collateral, you say. Yeah, right! Have you ever tried to get your money back by foreclosing on a warehouse full of rusty old widgets that are maybe worth ten cents on the dollar at auction? At the rates banks charge, they cannot afford to mail invoices for clients, call debtors, etc., so they focus their efforts on knowing and understanding the client, the client's business model and their financial health. This leads me to point number two.

2) The debtor's financial health is important, but so is the client's. When I started factoring in 1985, I didn't really care what my client looked like financially. I just wanted to know he sold a good product to a strong debtor. Lots of factors still think that way and are very successful, but you'd better do a flawless job of proving up your invoices and checking on your debtor. Don't relax your verification procedures just because you start to feel comfortable with your client or, worse, when you are losing business to the bank factor down the street offering a .7% discount fee and Prime + 2 on the net.

Most of us that have been around factoring very long know it is usually the client that instigates the losses, either by committing fraud on their own or by involving the debtor in some level of collusion, such as letting the client pick up an assigned payment, or soft-selling the problems the debtor may be having with the client's performance. Enron aside, it is not quite as often that a debtor files bankruptcy without a warning of impending credit problems. So, while it is important to do everything you reasonably can to prevent fraud from occurring, it's smart to take some advice from the banker and start to monitor your client's financial health to catch problems before they catch you. If your client's financial statements (or other records) indicate the only one making a profit is the factor, how long will it be before the client tries to take some of that money back? Bottom line: You need to know your client better than what you get from a lunch meeting or a visit to their office.

3) Taxes matter. This is an area where the banker and the factor can learn from each other. The banker tends to look at annual tax returns for comparison with the client's financial statements, while the factor (sometimes) monitors the clients 941 payments or periodically checks for tax liens. In a perfect world, it would be nice to do both. While it is fairly rare that the IRS will actually move to seize the client's receivables, it is a pretty good chance that tax problems will cause your client to do something that puts your dollars at risk, including shutting down their business. Monitoring increases knowledge, and knowledge is power.

4) Committees aren't all bad. Yeah, they are. But the concept is great. Separation of duties with oversight from an informed group from diverse backgrounds. The downfall – loss of flexibility and decision making ability. At our company, we have a committee from the bank that reviews the previous month's new business above a certain size for monitoring purposes. It works well for us, mainly because we function as a team. Remember, accountability is good, losses are bad.

Whether we are a banker, a factor, or both, we can always learn from each other. We do what we do because we choose to, not because we have to. Therefore, it is my suggestion that you choose your niche carefully – Do the best you can with what you know and stay away from what you don't – Avoid concentration – and Trust, but Verify. Good luck!

Wayne Coker is president of Advantage Business Capital, a subsidiary of Central Bank in Houston. He can be reached at 713-840-6100 or by e-mail at wcoker@centralbankhouston.com.

Factoring News Flashes

The **Chilean Factoring Association** reports that in Chile, factoring volumes are set to hit $2 billion this year. In September, figures reached $1.6 billion, up 35% compared to the same nine-month period last year. The association expects factoring to grow 20-25% over the next couple years.
Business News Americas, November 29, 2001

Allstate Insurance Co., filed suite against **Receivable Finance Co. LLC** claiming the company engaged in "unauthorized, corporate practice of medicine." **Allstate** claims that **Receivable** was "procuring medical and osteopathic doctors" to send many of their patients to various companies owned by Robert Smith, CEO of **Receivable**. **Allstate** alleges that doctors worked for Smith and his companies, and that **Receivable** acts as a "conduit for the billing and collection of medical fees."
Dallas Business Journal, November 30, 2001

Banco Edwards' board of directors approved the proposed merger with the **Banco de Chile**, making the combined entity the biggest bank in Chile's financial system. Executives emphasize that the merger would stimulate an additional $8.6 million in annual earnings for the new bank. The new entity will become Chile's biggest bank and comprise 20 percent of total assets in Chile's financial system.
Santiago Times, December 19, 2001

In a lawsuit, **Sequoia National Bank** of San Francisco alleges that a group of five shareholders falsely claimed to other shareholders that the $43 million-asset bank is grossly mismanaged. The bank claims that the group plans to merge **Sequoia** with a mortgage company and factoring business owned by some of the shareholders. The bank also says the group launched a defamatory campaign to depress its stock price and that they attempted to coerce shareholders to sell their positions to the group. One of the defendants, Peter Behr said that his group has been soliciting shareholders and its goal is to take over the bank and make it profitable. Eight straight quarterly losses have been reported by **Sequoia**.
American Banker, January 8, 2002

Tyco International Ltd. plans to separate into four independent publicly traded companies, unlocking tens of billions of dollars of shareholder value. The four companies would be Security and Electronics, Healthcare, Fire Protection and Flow Control, and Financial Services. **Tyco** hopes this will lead to greater total shareholder value by creating independent companies that will be more appropriately valued by the market.
Canada NewsWire, January 22, 2002

If you have any news items you would like to include in the next issue of The Commercial Factor, please e-mail them to info@factoring.org.

Stay Sharp to Fight Our Common Enemies

By Chris Bannon

You are a target. Someone is going to try to hurt you. How do I know? Because you are a factor. Having been in this industry for years, I now see grifters actively targeting factors with more and more determination. Why? I think it is because as the number of small factoring firms has continued to grow so has the number of small factoring firms that do inadequate due diligence. Also, setting up a bust-out requires more time and resources from a crook than does setting up a dummy company with bogus accounts. A big, easy scam is much more attractive than a big, difficult one.

It is an old rule of common sense that it is much easier to avoid a problem than it is to fix one after the fact. But some fraudulent deals seem so good that they are very difficult to detect. Part of the success at avoiding them comes from instinct and part from experience, but being very thorough in reviewing documentation and confirming facts will almost always turn up at least one issue in a fraudulent deal that will alert you to the problem if you follow up on it.

Due diligence is not where you want to cut corners to save time or money. My standard due diligence procedures are always just the starting point for reviewing a deal; I then scrutinize as many additional aspects of the deal as it takes for me to feel comfortable with it. If something can not be explained to my satisfaction, I walk from the deal, simple as that. If I want to run an extra credit report or background search I don't think twice about the cost. It is a lot less expensive than being defrauded.

Some factors seem to be afraid that spending too much time or money on due diligence will cost them the deal, that they need to get it opened and funded in 24 hours or they'll lose it. In my opinion, it's better to see a few good deals go elsewhere than to put one rotten one into your portfolio. The math is simple: the earnings you forego on the few impatient deals will almost always be outweighed by the principle you will lose on the one fraudulent deal (not to mention the attorneys' fees, gray hair, etc.) Besides, in today's electronic age, almost all the information you could possibly want is only a few keystrokes away, so I am not talking about long delays to do proper research.

I had one unsavory character try to sting me last year and she tried again this year. She worked through different companies each time. She used different names for herself each time. And I avoided her each time. It wasn't until after the fact that I tied the two deals together. Each time my due diligence independently turned up something unsatisfactory and I walked away. But here's why we all need to worry: *the second fraud was significantly better than the first*.

This time the grifter acted as a factoring broker. She referred the deal to another factoring broker who in turn referred it to me. The grifter had someone else fronting as the principal of the client company; while his record seemed clean, he had a very common name so that searches to confirm his personal information were riddled with erroneous and confusing information. All the paperwork submitted to me was filled out completely and every supporting document was provided promptly. And right from the start I knew that the deal was no good.

The deal just seemed too neat and perfect. She submitted invoices with signed bills of lading, copies of executed contracts for the services, and signed proofs of delivery in which the debtor acknowledged that the work was completed satisfactorily, all without being told what I needed. She provided contacts at the debtor firms to verify everything. And whenever she faxed anything to me, she had her front man sign the fax authorizing her (as the broker) to send it on his behalf. The military isn't even that precise, let alone the typical mid-sized business I encounter. Where she made her mistake was in going for too big of a score—she submitted over $750,000 of invoices right off the bat. Outright frauds are almost always hit-and-runs; they have to be, because they aren't legitimate businesses.

I caught her by hammering away at the details. She provided a social security number for the principal on the application and two of the digits were transposed on the personal financial statement I was given. I requested proof of the correct number and they provided it. I was given one home address of the principal on the application and a different one on another document; I requested verification of the correct address and they provided that too. Then I tried to verify the company's federal ID number and could not.

When I asked how that could be, she came back with a story that the current owner had inherited the business and was still using the old federal ID number by mistake. Since the company was an LLC, I didn't see why the company changing hands would result in the federal ID number being changed. She replied that the previous company was a proprietorship. She gave me a name for it and I could find no record of that business having ever existed. Regardless,

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Stop The Bleeding

by Dr. Ron

Mel Brooks produced a movie some years ago entitled "The History of the World, Part I". In this movie there were several vignettes centered on the concept of "It's Great to be the King", which sounds pretty good to me. As you might imagine, Brooks came up with several zany reasons of why it's great to be the king. I think that since Letterman will probably never do it, and since it has been such a difficult year on so many fronts, it's about time somebody came up with…

"The Top Ten Reasons Why it's Good To Be the Factor".

10. Look at those yields, baby!
9. Cash is king and it's good to be the king.
8. I never saw a verification call I didn't like.
7. I actually enjoy collection work.
6. If you have an invoice, what could go wrong?
5. It's great to blame the "Fed".
4. You've always got checks in the mail.
3. With all that collateral, how can I lose?
2. I like a business where I can sleep at night.

AND, THE NUMBER ONE REASON WHY IT'S GOOD TO BE THE FACTOR…

How else would you know what SQL really means?

Well boys and girls, how about a bedtime story? Unfortunately, this is a bedtime story that may give you nightmares. Allow me to introduce the characters.

In order of appearance we have the Unsuspecting Factor, the Client, the Credit Worthy Account Debtor, the Well Healed ex-Client, the Benevolent Trustee, and last, but certainly not least, the Easter Bunny. As you may imagine, the nightmare begins when you realize that all the characters portrayed herein are imaginary except for… yes; you guessed it, the Unsuspecting Factor and the Client. (By the way, any resemblance between the style presented here and style of a certain mustached attorney/author who may be familiar to you is purely coincidental.)

Once upon a time, the Unsuspecting Factor books a new Client who supposedly needs the Unsuspecting Factor only for a short while until its problems are turned around and who will then morph into the Well Healed ex-Client. The Client has many account debtors, among them the Credit Worthy Account Debtor. A few months into the relationship, the Client successfully completes its turnaround, actually becomes the Well Healed ex-Client, and pays off the Unsuspecting Factor. The Unsuspecting Factor releases its UCC filing and perhaps even exchanges mutual releases with the now Well Healed ex-Client.

Time passes and it is now over one year later. Not only has the Unsuspecting Factor spent the profits from its relationship with the Well Healed ex-Client many times over, the Unsuspecting Factor is attending the 2002 IFA convention in Memphis and is boastfully telling all who will listen about the success story of the Well Healed ex-Client who moved on to bigger and better things. While at the convention, the Unsuspecting Factor hears about the Chapter 11 bankruptcy of the Credit Worthy Account Debtor who ran into financial problems when its largest customer went out of business. "Boy oh Boy", says the Unsuspecting Factor, "I sure dodged that bullet, didn't I?" Did he?

Imagine the shock when the Unsuspecting Factor returns home after a week of intense learning and networking in Memphis only to open a letter from the Credit Worthy Account Debtor's Benevolent Trustee that says, "REGURGITATE". And he does, in more ways than one.

The Benevolent Trustee becomes not so benevolent when he demands that the Unsuspecting Factor repay all monies collected during the preference period preceding the Credit Worthy Account Debtor's bankruptcy filing. The not so Benevolent Trustee may well be correct in his demand.

When a factor purchases the accounts receivable of an account debtor from a client, the factor steps into the shoes of the client and is therefore subject to the same preference claims as the client. But all is not lost as there are many ways in which the factor can escape from such a perilous position.

The first line of defense is to argue that since the factoring was done with recourse, that the financial arrangement was really a loan, not a true factoring relationship. Therefore, title to the receivable did not pass and the factor was acting merely as a secured lender collecting the proceeds of collateral. Or one may argue that the factor was acting merely as collection agent. Good luck. Even if you prevail, the cost of defense together with the time spent with litigation will be significant.

Not to worry, because the factor has another way out. That's right, the Well Healed ex-Client will repay us. Oops! Did we release our UCC filing? Did we release all of our other rights when we were paid out? It really does not matter since the Well Healed ex-Client never existed anyway, or if it did it certainly is not going to step up to the plate.

This is where the Easter Bunny makes its appearance, repays the Unsuspecting Factor, and everyone lives happily forever after. The End.

This is a true story (except for the Easter Bunny part). There is a factor that, as this is being written, is defending itself against two trustees in two different cases. A trustee in bankruptcy has two years to uncover preferences; that's right, two years! When an account debtor goes down the tubes, the trustee will look back and try to uncover preferences. If found, and if the client is not around or is unable to repay us, we lose. Once again folks, watch those concentrations, you never know when they will come back to haunt you.

We all know that the place to perfect a UCC filing is with the Secretary of State in the state where the client is registered, right? Right, assuming we are dealing with a registered entity. But where do we search? The answer is that at least until July 1, 2006, search using the new filing rules and the old filing rules as well. So, let's get this straight. If one files correctly and then searches using both the old filing rules and the new filing rules, and assuming the searches show one's filings in first position with nothing intervening, then one is safe. Correct? What about inventory or equipment located outside of the state of registration? What about state tax liens or judgment liens or personal property tax liens that attach to such property located outside of the state of the client's registration? What if one of those lienors forecloses on your client's property and is unaware of your lien? What if …What if… What if in the next issue I write about "The Top Ten Reasons Why it's Good To Be the Lawyer"?

To share your experiences or to seek the advice of the author, Ron Winicour can be reached by email at ron@gibraltarfinancial.com or by snail mail to Gibraltar's corporate address, Gibraltar Financial Corporation, 60 Revere Drive, Suite 840, Northbrook, IL. 60062.

Upcoming Events

Teleconference Call with

Steven Kurtz

from Greenberg & Bass

Wednesday, February 27, 2002, 1:00pm PST

Factoring through Workouts, Bankruptcy & Debtor-in-Possession Financing

Call cost is $40.00

To register, e-mail info@factoring.org

or call 800-563-1895

Foreign Credit Reports

Owens OnLine, Inc. is a worldwide credit reporting agency, providing credit reports on foreign companies and individuals. They also provide company directories. The following is a selection of two of the many countries they provide information on, Hong Kong and Chile. Should you have any questions, you may contact Mark Owens at (800) 745-4656, (813) 877-2008 (9-5 EST) or at: email@owens.com. Their website is: http://www.owens.com.

Hong Kong Credit Grantor's Fact Sheet

Information Available on Companies and Individuals in Hong Kong

Background Information: Situated at the Southeastern tip of China, Hong Kong is ideally positioned at the center of East Asia, the fastest growing region in the world. The territory has no natural resources, except a deep water harbor and an industrious population. Per-capita gross domestic product (GDP) in 1996 was US$25,300. Over 80 per cent of Hong Kong's GDP comes from the services sector, which employs 77 per cent of the work force. Manufacturing was a major economic factor into the 1970s, but today the majority of Hong Kong's manufacturing has relocated where labor costs are lower, meaning overseas or to nearby Southern China. The local language is Cantonese, though Mandarin is on the rise. The use of English is common in business. Both, Chinese and English are the languages of the courts.

Bank Information: Banks do not provide information on their clients.

Business Structures: Most commonly used are private limited company, sole proprietorship and partnership. There are fewer public limited companies and overseas companies (branches of corporations registered overseas).

Public Records: For private limited companies, public limited companies and overseas companies, hard-copy data is available from the government Company Registry. Online databases only offer a name/index search, but other details such as identification data, nominal and paid-in capital, shareholders, directors, registered charges, debentures, and mortgages are available on microfiche. Companies file annually. For sole proprietorships and partnerships, only the name of the owners can be obtained from Inland Revenue, the tax authority. Land searches are possible and detailed, but the user must supply the property's address, there being no index listing owners' names. Court writs (suits) can be retrieved daily from the district and high courts. A court writ in itself is not necessarily negative, it definitely warrants additional investigation to clarify its significance.

Financial Information: The 600 Public Companies whose shares are traded on the Hong Kong Stock Exchange, all publish annual reports. Disclosure requirements are less detailed than those in the U.S.. Privately held companies, wary about sharing information with unknown sources, are not obligated to reveal their finances. When possible, allow your credit agency to reveal your identity when requesting reports. Field investigations by credit agencies are common.

Trade Payment Histories: There is no commercial repository for trade payment histories. Credit agencies rely on trade references supplied by the subject companies. These often list their best-paid vendors.

Personal Information: Personal information is restricted to verifications since no repository exists for personal credit information.

Standard Terms: Local terms are 30 days or pre-pay. International payments' methods and terms are letter-of-credit (LC), prepay or Telex transfer (TT Payment), document against payment (DP), document against acceptance (DA) or open account (30-60 days).

STAY SHARP continued from page 5

when this principal formed his new LLC he would have had to apply for and obtain its one and only federal ID number. I was not satisfied.

Then I couldn't confirm the address she provided for one of the bigger debtors. She told me they were a very large company based in another state and that the address was for the local branch office for which they were doing the work. I checked with the Secretary of State and this "very large company" had not registered there as a foreign corporation. When I kept pressing for more information, she told me those invoices were paying soon and not to worry about them. Then she started throwing around names of all the other big companies the client was doing work for and told me we'd be getting new invoices soon.

Since I didn't like the deal I didn't rush to follow up on it. I figured I'd wait for their next submittal. Instead I got a call from a factor that she had victimized with her first fraudulent deal. He asked me if I knew anything about the second factor she stung with her new fraud two days prior. While I was stalling her for just a few days with due diligence, she went on to get an account opened and funded elsewhere! I think it's safe to say that new victim didn't take enough time to check everything thoroughly.

These crooks learn from their mistakes, and when Factor A rejects them they will tighten up their fraud before going on to Factor B. And by the time they get to Factor D, he or she is going to get burned. It's easier to catch snakes when they're babies; they have much smaller fangs then. We all need to make much better use of such devices as the IFA's Fraud Forum, so we can identify these crooks before they've sharpened up their scams.

Chris Bannon is the Managing Underwriter for Express Business Funding, Inc. He is currently working on a book about frauds against factors/ABLs and can be reached at cb33904@yahoo.com.

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