The Commercial Factor

Volume 4 • Number 4 • Fall 2002

Newsletter for the Factoring Industry

International Factoring Association

In This Issue

A Publication of:

The International Factoring Association

555 Chorro Street, Suite B
San Luis Obispo, CA 93405
805-544-8327 x20 • 800-563-1895
www.factoring.org • info@factoring.org

2003 Factoring Conference

The 9th Annual Factoring Conference will be held April 2-5, 2003 at the Grand America Hotel in Salt Lake City, Utah. Once again, we have a great line-up of speakers and activities planned.

Returning conference favorites Bob Zadek and Mike Ullman will be speaking again, along with several new and exciting speakers and panel discussions. Bob Zadek will be discussing factoring and bankruptcy, tricks account debtors use to deceive factors, and takeout negotiations between factors. Mike Ullman's talk will be on protecting yourself when you suspect your client is committing unspeakable acts, and the legality of broadcast faxes. John Beckstead, an attorney from Salt Lake City, will be speaking about secret liens. Friday morning's sessions are sure to be interesting. An economist from the Federal Reserve Bank will be discussing the economic forecast and how changes in the money supply affect you and your business. Following that session will be a discussion of the USA Patriot Act and your requirements to comply. The third session on Friday morning will be a talk by a senior financial analyst with the U.S. Postal Service about redirecting checks and what you should do when you open confidential mail. Panel sessions at this year's conference will include a fraud panel, a verification panel, and a marketing panel. Other conference sessions will be on non-verbal communication and business ethics. In addition to these exciting sessions, look for over 25 diverse exhibitors in the exhibit hall. For more detailed information about the conference line-up, visit www.factoringconference.com.

Salt Lake City offers fine dining, noted attractions, historic sites and great shopping. A thriving cultural center, it is home to one of the nation's finest regional symphony orchestras, an illustrious choir, and a myriad of art galleries. It is located within a day's drive of ten national parks.

Of course, the biggest attraction to the area is Utah's incredible snow, "The Greatest Snow on Earth." There are ten major ski resorts and six cross-country areas within an hour of the downtown Salt Lake area. The Utah Transit Authority provides transportation from Salt Lake City to the ski resorts, and shuttle service is also available from the conference hotel. The Factoring Conference will be offering two ski adventures to either Snowbird or Solitude, depending on the snow conditions. Transportation will be available to conference attendees for $25.00 on Wednesday, April 2nd and Saturday, April 5th from 8:00am to 4:00pm.

Other attractions in the downtown area include Temple Square, a 35-acre complex that incorporates the famous Salt Lake Temple, the historic Tabernacle, home of the Mormon Tabernacle Choir, as well as the Joseph Smith Memorial Building, home of the Family Search Center. The Family Search Center is home to the world's largest storehouse of family records, the Family History Library.

One of the most frequently asked questions about Salt Lake City has to do with the state's liquor laws. Most restaurants and hotels serve beer, wine and mixed drinks with the purchase of food. There are also bars in Utah, however, they are called "private clubs." The term is a little deceiving, but these clubs are open to everyone. Visitors can purchase a two-week membership for $5.00 and this also allows the sponsorship of other guests. Basically, the membership is very much like a cover charge. Grocery and convenience stores sell 3.2% beer. To purchase wine, liquor, or full-strength beer, you can visit one of the 16 state-run liquor stores in the Salt Lake City area. These liquor stores are closed on Sundays.

The conference will be held at the Grand America Hotel in Salt Lake City, Utah. This brand new hotel was inspired by the world's grand hotels of the past with the allure of old world craftsmanship, charm and hospitality, while having every modern convenience at your finger-

continued on page 2

CONFERENCE continued from page 1

tips. Each guestroom is 700 to 880 square feet and comes equipped with high-speed internet access, three telephones, and a 32" television, along with several other amenities. Other hotel amenities include two restaurants and a lounge, 24-hour room service, a fitness center, a spa and two pools. The Grand America is located a few blocks from downtown Salt Lake and a trolley service is available to provide transportation to the downtown area.

© Deer Valley Resort

One of the highlights of the conference every year is Friday night's banquet dinner. This year, it will be held at Snow Park Lodge at Deer Valley Resort. Deer Valley Resort was the site of the slalom, mogul, and aerial events at the 2002 Winter Olympics. Transportation to and from the dinner will be provided. Following dinner, attendees will have the option of returning to the hotel, or enjoying some of the night life in nearby Park City. Shuttles will be provided back to the hotel from Park City throughout the evening.

The Factoring Conference Golf Tournament this year will be an 11:00am shotgun start at Stonebridge Golf Club on Wednesday, April 2nd. The Guest Tour will be on Thursday, April 3rd and will include guided tours of Temple Square and the State Capital, along with a session in the FamilySearch Center.

For more information about the Factoring Conference and Salt Lake City, be sure to visit the conference website at www.factoringconference.com, and check your mail for the conference brochure coming soon.

The Commercial Factor

Newsletter for the Factoring Industry

The International Factoring Association
555 Chorro Street, Suite B
San Luis Obispo, CA 93405
800.563.1895

Publisher
Bert Goldberg

Editor
Karen Ross

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.

To receive this newsletter via e-mail, please send e-mail to listserver@factoring.org and type the words "subscribe IFA" in the subject line.

To stop receiving this newsletter via e-mail, send an e-mail to listserver@factoring.org and type the words "unsubscribe IFA" in the subject line.

Cost Benefit Analysis of Business Development Officers

by Dave Rains

There has been a lot of run-off in the portfolios around the US in factoring portfolios. Many accounts that used to be $1 million a month are down to $200k. Some of your clients have either shut their doors or the outstandings have decreased to the point, you wonder why you are even still keeping them as a client. To that end, factoring companies are looking for new ways to generate business. I would like to explore what the true costs of a BDO are in the market today versus a broker arrangement of 10%-15%.

The first thing that must be examined is the base salary component. The ranges on base salaries across the US are as varied as the number of different companies. They range from 30k all the way up to 100k. Of course as the base salary goes up, the commission structure must go down. Therefore, what is the right mix for each and further just what must they generate to be worth the outlay.

Let's take two examples of commission plans that are currently being utilized in the US. One plan pays a base of 75k and 5% commission on the life of the deal, the other 50k base and 7% on the life of the deal.

Assuming $75K Base w/ 5% Commission Structure

Outstandings	$ 1,000,000.00
Monthly Fees Generated (.025 of outstandings)	$ 25,000.00
Annual Revenue Generated	$ 300,000.00
Base Salary	$ 75,000.00
Benefits	$ 9,600.00
Commission (5% of fees generated)	$ 15,000.00
Car Allowance	$ 6,000.00
Cell Phone	$ 1,200.00
Misc. Marketing Expenses (Meals, Office, etc.)	$ 6,000.00
BDO Marketing Cost	$ 112,800.00
******% Cost of BDO vs. Revenue Generated**	**37.60%**

Outstandings	$ 2,000,000.00
Monthly Fees Generated (.025 of outstandings)	$ 50,000.00
Annual Revenue Generated	$ 600,000.00
Base Salary	$ 75,000.00
Benefits	$ 9,600.00
Commission (5% of fees generated)	$ 30,000.00
Car Allowance	$ 6,000.00
Cell Phone	$ 1,200.00
Misc. Marketing Expenses (Meals, Office, etc.)	$ 6,000.00
BDO Marketing Cost	$ 127,800.00
******% Cost of BDO vs. Revenue Generated**	**21.30%**

Outstandings	$ 3,000,000.00
Monthly Fees Generated (.025 of outstandings)	$ 75,000.00
Annual Revenue Generated	$ 900,000.00
Base Salary	$ 75,000.00
Benefits	$ 9,600.00
Commission (5% of fees generated)	$ 45,000.00
Car Allowance	$ 6,000.00
Cell Phone	$ 1,200.00
Misc. Marketing Expenses (Meals, Office, etc.)	$ 6,000.00
BDO Marketing Cost	$ 142,800.00
******% Cost of BDO vs. Revenue Generated**	**15.87%**

Assuming $50K Base w/ 7% Commission Structure

Outstandings	$ 1,000,000.00
Monthly Fees Generated (.025 of outstandings)	$ 25,000.00
Annual Revenue Generated	$ 300,000.00
Base Salary	$ 50,000.00
Benefits	$ 9,600.00
Commission (7% of fees generated)	$ 21,000.00
Car Allowance	$ 6,000.00
Cell Phone	$ 1,200.00
Misc. Marketing Expenses (Meals, Office, etc.)	$ 6,000.00
BDO Marketing Cost	$ 93,800.00
******% Cost of BDO vs. Revenue Generated**	**31.27%**

Outstandings	$ 2,000,000.00
Monthly Fees Generated (.025 of outstandings)	$ 50,000.00
Annual Revenue Generated	$ 600,000.00
Base Salary	$ 50,000.00
Benefits	$ 9,600.00
Commission (7% of fees generated)	$ 42,000.00
Car Allowance	$ 6,000.00
Cell Phone	$ 1,200.00
Misc. Marketing Expenses (Meals, Office, etc.)	$ 6,000.00
BDO Marketing Cost	$ 114,800.00
******% Cost of BDO vs. Revenue Generated**	**19.13%**

Outstandings	$ 3,000,000.00
Monthly Fees Generated (.025 of outstandings)	$ 75,000.00
Annual Revenue Generated	$ 900,000.00
Base Salary	$ 50,000.00
Benefits	$ 9,600.00
Commission (7% of fees generated)	$ 63,000.00
Car Allowance	$ 6,000.00
Cell Phone	$ 1,200.00
Misc. Marketing Expenses (Meals, Office, etc.)	$ 6,000.00
BDO Marketing Cost	$ 135,800.00
******% Cost of BDO vs. Revenue Generated**	**15.09%**

As you can see from the above example and simple economic theory, as the production goes up, the percentage cost of the marketing BDO goes down. Of course, these costs are lowered again significantly if your client stays on more than one year as your fixed costs are all in the first year of the deal. You need this flexibility anyway because if you have a really good client and they are approached with a better rate, then you need the flexibility to lower that rate and not be hit by the high costs of the base and other expenses in that first year.

So, what one might surmise from this is that the minimum acceptable level of production for a BDO would have to be consistently in the 2-3 million monthly outstandings range for the company to have a decent percentage of return on the money expended. A strong producer will easily outstrip any cost benefits of utilizing brokers.

It is easy to see where a broker is: because you owe him 10%-15% on the life of the deal, the whole deal. The additional costs of a broker are: added time for you to train them in your credit criteria, added risk of the deal (as you might not have full disclosure on the intricacies of a deal), marketing expense locating brokers, payroll of someone with whom the broker talks to and forms a relationship, etc…. So, it is not just the initial percentage, there are soft costs to be considered as well.

An additional observation might also be that a high producer is worth a higher base and a lower commission structure as long term, the company makes more money. The highest producers know this and will not demand a high base but a better commission plan. That is what I love a BDO to say to me. As a recruiter, you would think that I would like to keep base salaries as high as possible; however, my belief is that a salesman should be paid on selling; therefore I would rather see a good BDO get a higher commission and a lower base. This lowers my fees; however my goal is to help companies succeed, not to bill a few extra dollars on an invoice.

Dave Rains is one of the nation's foremost recruiting professionals. With over 27 years of sales/recruiting experience and an honors graduate of SHSU, he has earned a reputation as an expert in the placement of Business Development and Operations professionals in Commercial Finance. Throughout his career, Dave has been recognized as a top performer within the MRI family of over 1,000 offices. He has been awarded 16 national and regional awards including "Southwest Account Executive of the Year – 2001". He consistently ranks in the "Top 10 in the Nation" of the vast MRI family of over 5000 recruiters.

Factoring News Flashes

The trial of a lawsuit brought by Dr. Dan Moore and Dr. Dennis O'Banion against **Regions Bank** and officials with a factoring company has been postponed. No new trial date has been set. The doctors are suing **Regions** and three officials with **Southwest Financial Inc.**, claiming they lost $4.8 million in the late 1990s in investments made with the factoring company.
July 16, 2002
The Arkansas Democrat-Gazette

Two Silicon Valley commercial finance veterans have been appointed to oversee **Bridge Capital Finance Group**, the new unit of **Bridge Bank, National Association**. The new group's products include factoring services, non-recourse accounts receivable purchases, asset-based lending, and vendor assurance. Michael J. Field, formerly Senior Vice President of **Silicon Valley Bank's** Specialty Finance Division will serve as Executive Vice President of the new unit. Lee J. Shodiss will serve as Senior Vice President and Manager. Before this appointment, Mr. Shodiss was Senior Vice President and Acting Company Division Manager for the **Silicon Valley Bank's** Factoring Division.
August 22, 2002
PR Newswire

Marquette Financial Cos. launched a new company, **Marquette Funding**. The new company will provide accounts receivable financing for trucking companies, targeting companies with approximately $3 million to $30 million in annual sales. This is one of the specialty finance industries to which it will direct some of the capital gained from the February sale of its bank entities to **Wells Fargo**.
September 5, 2002
Star Tribune

Shares of **KBK Capital Corp.** ceased trading on the American Stock Exchange, as the company petitioned the Securities and Exchange Commission to unregister its shares. The delisting should be permanent after a 21-day comment period. Chief Executive of **KBK**, Robert J. McGee said the move was voluntary. "We meet the requirements" for listing, he said. "We asked to do it. It costs up to $500,000 a year to be a public company." **KBK** hasn't decided whether it will buy out public shareholders, who own about 25% of the shares outstanding. The company also hasn't decided how to value shares. McGee said that Wall Street wasn't doing a great job of pricing **KBK**. Their shares closed Friday at 78 cents on the American Stock Exchange and the Pacific Stock Exchange. However, according to MultexInvestor.com, the assets carried on its books work out to $5.92 a share.
September 24, 2002
Fort Worth Star Telegram

First National Invoice Finance (FNFI), part of the **Abbey National Group**, is looking to invest GBP 25million to support south-eastern businesses with the launch of its new service, **First Confidential**, a confidential factoring service. **FNIF** conducted research which showed that 85% of businesses view factoring as a growth area, while one third thought there was still a stigma attached to this type of finance. The terms of service are that the company will pay up to 85% of outstanding invoices on the same day, with no indication that a third party is involved.
September 26, 2002
UK Newsquest Regional Press

To align its aerospace structure to the business aircraft market, and to increase its financial flexibility, **Bombardier** announced measures to reduce the debt of **Bombardier Capital**. The intent is to reduce **Bombardier Capital's** assets under management by approximately $5 billion, through the sale and wind-down of the receivable factoring portfolios for their manufacturing sectors, as well as the business aircraft financing portfolios. Proceeds from these actions will be applied to the reduction of debt.
September 27, 2002
Business Wire

Allied Carriers Exchange, Inc. closed its doors for the final time on Friday, September 27, 2002.

CIB Marine Commercial Finance, LLC has acquired the assets of **Oxford Capital**.

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.

The Economy

An editorial by Ron Winicour

Reading today's (9/19/02) Wall Street Journal was alarming. In my opinion, we could be heading for real problems in the near to intermediate future.

First, the Japanese government is bailing out its banking system to the tune of $50 billion. (Japanese banks routinely buy stock in companies they loan to. As you can imagine, the value of these stocks has been going down resulting in the banks being undercapitalized. The $50B is being used to buy back certain of these securities). This seems like a small number in the grand scheme of things, but this $50B is only the amount necessary, as I understand the article, to bring the banks back to solvency. The real problem exceeds $500B. Is this significant? You bet! The Japanese banking system is one big house of cards and remains standing only at the sufferance of the US and Europe. How much more paper hanging can the western world tolerate?

Second and hopefully a lot less significant is JP Morgan. Sometimes banks (and even factors!) make loans they really shouldn't in order to get other business from the customer. In the bank's case it's the investment banking business they are after. The Wall Street Journal article discussed the telecom industry in general and a company called Genuity in particular. (Gibraltar turned down Genuity's credit about 12 months ago, not because we are brilliant, but because it just did not make sense. Genuity had a good balance sheet and big name investors, but had never turned a profit and was in fact hemorrhaging badly. Turning down this credit cost us a major client. And wouldn't you know it, a bank-owned factor took the deal from us and more than doubled Genuity's credit line.) JP Morgan lent Genuity 1/2 billion in hopes to get lucrative investment banking deals, which it did, for another $1.5 billion. Genuity is now in default both to JP Morgan and the $1.5B of bond holders and it's likely to be going down in flames. If so, JP Morgan, because of Genuity and other telecom loans, will take a major hit. Moody's has now placed Morgan on credit watch until their earnings are released. Other major banks are in similar, although perhaps not as dire, circumstances. I don't believe any one major bank has a large concentration in any one telecom credit, but only because they commonly participate with one another! So, if the industry continues its downward spiral, the banks will have some real problems indeed.

I think the real question is how the consumer will pay it back.

Does JP Morgan's greed remind you of anything? How about Arthur Anderson? Same deal, different industry. I say bring back a version of Glass-Steagall.

On another front, we are told that high consumer debt is good since it is a measure of consumer confidence. Anyone wanna buy a bridge? Consumer debt may be mushrooming because people are trying to make ends meet. We are also told that record consumer debt is OK because home values (not equity, mind you) are also at an all time high? So what? I think the real question is how the consumer will pay it back. Maybe they can if business stays just robust enough to keep unemployment down but still have no inflation. Nice trick if you can do it. Because when inflation comes back, interest rates will rise. Then see how easy it is to pay back all this consumer debt.

And inflation?— its got to come back. Price increases are inevitable in an economy that has seen significant recent growth in technological manufacturing efficiencies that have now got to slow down, an economy that has seen no major wage increases and an economy wherein corporations need to improve margins. And how is our government going to juggle these balls and keep rates low?

I don't mean to predict Armageddon, but I am going to be long in cash with no concentrations anywhere on the horizon. Anybody got an extra mattress?

Stop The Bleeding

by Dr. Ron

Pension Funds and A "Wrinkled Ron"

It's not quite Halloween yet but how's this for a scary thought? Pension fund liabilities can prime a secured lien! That's right. Under a new bill just introduced, the "Employee Abuse Prevention Act of 2002" would allow a trustee in bankruptcy the right to assert a lien in favor of the bankrupt's employee pension fund if that fund is under water. This lien would come ahead of an already filed and perfected first lien by a secured lender (that's you!) and would also come ahead of all administrative claims. This might seem O.K. to Congress when they consider the impact to large business and large banks. But I doubt if they have considered the borrowing impact it would have on many small businesses and indeed, on the entire lending community.

When evaluating a new client, a lender would need to examine the prospective borrower to see if they have a pension fund or might in the future establish one. Establishing a new (and as yet unfunded?) pension might then be a cause for default under the loan agreements. So might a fully funded pension fund that suddenly becomes under funded as a result of poor investment decisions. This type of new risk is difficult to discover in time to avoid a problem and certainly impossible to quantify. Would we, as lenders, materially change the way in which we operate? Probably not. We would probably just assume more risk which, over time, would translate to higher rates.

In a down market, just about every pension fund runs the risk of becoming under funded. In Chicago alone, the pension funds of that city's largest 25 public companies lost $11 billion in the year 2001. Small business can be no different. Especially the businesses we, as factors, lend to.

This bill, if enacted in its present form, would also prime all post position indebtedness including suppliers, making it just a "tad" more difficult for post petition suppliers to ship new merchandise thus making DIP financing almost impossible in some cases. It would seem that Congress is getting little carried away in their zeal to protect the little guy in this post Enron, post Worldcom world.

As both lenders and borrowers, it would be in all of our interests to point out the obvious flaws in this proposed legislation to the sponsors of this bill and also to the President (that's George Bush, not Bert Goldberg) by e-mailing them as follows:

E-mail Rep. William Delahunt at william.delahunt@mail.house.gov.
E-mail Sen. Dick Durbin at dick@durbin.senate.gov.
E-mail President Bush at president@whitehouse.com.

If you would rather write them a letter, click on any search engine and type in the person's name and you will be directed to their web site.

A fax sent to both the Democratic and Republican leadership of the Senate Judiciary Committee would also be effective:

The Honorable Patrick Leahy
Chairman, Senate Judiciary Committee
224 Dirksen Senate Office Building
Washington, DC 20510
(fax) 202-224- 9516 and to:

The Honorable Orrin Hatch
Ranking Minority Member, Senate Judiciary Committee
152 Dirksen Senate Office Building
Washington, DC 20510
(fax) 202-224- 9102

On to more pleasant thoughts, like fraud.

The other day, while in the shower, I got to thinking about a phone call I received the day before from a friendly competitor of mine who was lamenting about trying to book a new piece of business. My friend, call him BF, was complaining about how difficult it is to put a new deal on the books. BF said, "Ron, this is a seven figure deal. I am advancing 85% to the present lender's 80%. I have raised several of the account debtor's credit limits from their existing levels thereby providing even more availability. Furthermore, I will be saving the client 30-40% in fees! The client told me we have a deal only if I agree to take the account over without using customary verification procedures. We must rely on the prior factor's verification work as the account debtors have been sensitized by all the past calls and letters. Ron, the only thing I can think of is that there may be fraud in the receivables and the client is afraid I will uncover it. Why else wouldn't he take my deal? It's so much better than the deal he has now" I must admit that my friend has a point, but I told him "BF, you are too young to be this cynical. Make a few surreptitious phone calls to the largest two or three account debtors; satisfy yourself over the phone and book the business!"

As I stood there in the shower debating whether or not I had dispensed sage advice, I realized that if it were my money, I would not have been so quick with that decision. Relieved that this was not my dilemma, I stepped out of the shower, wrinkled, but happy.

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

P.S. On the eve of publication we have been informed that Senator Dick Durbin (D-Ill.) has introduced a substitute amendment to the Employee Abuse Prevention Act described above. While we understand that many of the objectionable provisions of the bill have been dropped, we have not seen a final version. If you plan on contacting any of the congressmen as above, please keep this in mind - Dr. Ron

The Back Office

by Darla Hill

Okay, you've booked your first factoring client. You've been around this industry before; you've effectively marketed and gained a prospect through your efforts. The deal wasn't too easy to close, but you worked your way to a signed agreement. You've filed your UCC-1 and assume a first secured position against the accounts receivable your client generates. You expect to receive around $150,000.00 per month in invoices from your new client. How do you proceed? Welcome to the back office operation.

It is every operations/portfolio manager's challenge to effectively monitor the invoices purchased in their portfolio. It is the manager's job to implement procedures that result in repayment of advances made against the purchases. Many levels of processes are involved in the 'back-office' operation. Each step is critical to the settlement of invoices.

Step One: Underwrite each account debtor for credit-worthiness and assign a credit limit. Have you ever tried to get information on 100 commercial customers at once? You have resources available, such as credit reporting agencies and the internet. Whatever procedure you choose, do not purchase invoices without knowing your account debtor.

> **Truthfully, this is a labor intensive business.**

Step Two: Notify. Whether you are a notification or non notification factor, you must send a letter to each account debtor advising them of the new remittance address. In my past operations, full notification was the only way to go. An attorney can advise you of the language required to make this notification enforceable. Altering your attorney's recommendations even slightly may nullify the notification.

Step Three: Verify, Verify, Verify. You've heard this tune before. Dr. Ron has discussed this process in a previous 'Stop the Bleeding' article. Whether you require a signed verification form, perform a quality assurance phone call or use a third party to confirm the shipment of goods, you must constantly keep a moderate percentage of verified invoices in the portfolio. Your client may be in good standing, their customers are credit worthy and receivables are turning nicely, but something outside your radar may occur prompting your client to submit fraudulent invoices for funding. If you aren't constantly exercising some form of verification, you will find out about fraud when it's too late.

Step Four: Monitor the Aging and use availability as a tool. Review the aging to see if the receivables are turning. Check concentrations; make sure all of your eggs are not in one basket.

Most business owners don't understand the pitfalls of having their receivables tied up in too few places. You may want to educate your client of the dangers. Let's say your Client has annual sales of $1.8M ($150K x 12). At the end of the year after costs, salaries, factoring fees, etc... their net profit for the year is around .025% ($45K). Sounds good, right? Now what would happen if their largest customer whose balance is $75K files for BK? That alone puts your client into a net operating loss of $30K. Your client would have to produce sales of another $1.2M in order to break even. This could cripple your client or completely shut them out of business.

A typical concentration allowable by lenders is 10%. Consider not purchasing invoices that will bring a single account debtor's balance in excess of 10% of your client's overall aging.

Step Five: Collect the receivables. Several processes can be used to collect invoices. Some operations mail debtor statements, or past due letters to the customer. Others rely upon their client to make calls and inform them of any disputes.

I favor directly contacting the customer via email or an old fashioned telephone call. Develop a relationship with your client's customers, especially the repeat ones. A collection call need not be a negative event. These calls should initiate as a courtesy call, just checking to see if the invoices are scheduled to be paid. This also enhances the verified percent of your portfolio. You will know first hand if the invoice is in dispute, or if terms such as a consignment sale have been negotiated without your knowledge.

This is also a good time to confirm what their payment instructions are for the invoices. Do they have your remittance address in their system? During the collection call it is important to get the customer to agree on a payment date, and then you should set a follow up call if the check is not received as promised.

Step Six: Monitor your client's financial position. Many factors forget the importance of their client's financial health. Require periodic reporting from your client such as financial statements, A/P & A/R agings, tax returns, etc... Notice when sales are down, when costs rise, when vendors aren't getting paid. These are easily detectable when you have your client in the habit of submitting key reports periodically.

The first thing you should do is increase your verification attempts. Then let the client know when you see a down-turn, ask them what their plans are to turn things around, how can you help? Be aware of your client's industry over-all. Don't cry-wolf when there is a seasonal lull, but still increase your verification. This small step alone may save you from purchasing fraudulent invoices.

These are only a few of the basic steps handled by the back office. Many operations perform these and more. All are looking for methods to reduce the cost of running these processes. Truthfully, this is a labor intensive business. If you are new to factoring; make sure you don't go into these processes blindly. Learn as much as you can before you begin. If you are a seasoned factor, review your procedures. Are you really getting what you need from a process, or simply doing something the way it's always been done?

Contact Darla Hill for more information on The Back Office. Darla has been with Distinctive Solutions as a consultant/trainer for four years. Prior to that she's worked in or managed the back office for several U.S. factoring companies. She can be reached at darla@dissol.com or 805-544-8327 x28.

2002 Factoring Conference Audio CD Order Form

Bob Zadek, Esq., Buchalter, Nemer, Fields & Younger

- Games & Defenses Account Debtors Use to Defeat Notification
- Techniques for Dilution-Proofing Your Portfolio
- The 1,000 Most Common Factoring Errors

John Murdock III, Esq., Boult, Cummings, Conners & Berry, PLC

- Federal Tax Liens

Dr. George Lucas, U.S. Learning, Inc.

- Strategic Marketing - Creating Distinctive Capabilities in a Challenging Marketplace

Mike Ullman, Esq., Ullman, Ullman & Vazquez
John Kiefer, Capital Factors

- Factoring Temp Agencies

Kenny Greene, Esq., Carruthers & Roth, PA

- Subordination
- Intercreditor Issues

David Pearce Snyder

- Strategic Forecasting

Fraud Panel

- Discussion of Fraud Schemes Used on Factoring Firms
  Jay Atkins - Bibby Financial Services, Inc.
  George Thorson - Collateral Risk Advisors
  Matthew Drake - FBI
  Joe Ford III - FBI
  Steven Kurtz, Esq. - Greenberg & Bass

Credit Limit Panel

- Discussion of Methodology Used to Set Credit Limits
  Anne Kumins - Euler ACI
  Al Niskala - TranCentral
  Randy Ontiveros - Resource Business Partners
  Debra Wilson - Vertex Financial

David Cohen, Investigative Resources of Texas

- Background Investigations

Jeff Wolf, Wolf Management Consultants

- Sales & Motivation

Fireside Chat

- A Fireside Chat About Enhancing the Attractiveness of Your Business
  David Fink - Franklin Capital Network
  Mark Quinlan - Textron Financial Services
  Steve Troy - AeroFund Financial
  Richard Worthy - Metro Financial Services

The full set of Speaker CD's is available for $250.00. You may also order individual CD's for $25.00 each (Bob Zadek's CD set is $45.00). California and Texas orders, please include sales tax (CA 7.25% and TX 8.25%)

- ☐ All Speaker CD's
- ☐ Bob Zadek, Esq.
- ☐ John Murdock III, Esq.
- ☐ Dr. George Lucas
- ☐ Ullman/Kiefer
- ☐ Kenny Greene, Esq.
- ☐ David Pearce Snyder
- ☐ Fraud Panel
- ☐ Credit Limit Panel
- ☐ David Cohen
- ☐ Jeff Wolf
- ☐ Fireside Chat

Name: ____________________

Company: ____________________

Address: ____________________

City/State/Zip: ____________________

Phone: ____________________

Payment Method: ☐ Check enclosed

Please charge my: ☐ MasterCard ☐ VISA ☐ American Express

Card #: ____________________ Exp. Date: __________

Name on Card: ____________________ Subtotal: __________

Tax: __________

Signature: ____________________ Total: __________

Please mail to: International Factoring Association / 555 Chorro Street, Suite B / San Luis Obispo, CA 93405 / 800-563-1895
Fax your order to: 805-544-3905 or order on-line at www.factoringconference.com

Listserve. . . A Year Later

By Randy Ontiveros

Last year IFA created its very first Yahoo Discussion Group. For those who are Yahoo Group challenged I'll review some of last year's article. What the heck is a Yahoo Group? That's usually the first question asked. Simply put, a Yahoo Group is just a list of people, commonly referred to as subscribers that share similar areas of interest via e-mail. Some call Yahoo Groups listserve's, chat lines, newsgroups or bulletin boards. I don't know how it got its name but I bet someone out there knows. That's one of the benefits of a Discussion Group; if you have a question or referral just post it to the Discussion Group for all its subscribers to see. My experience is within minutes you will have several responses.

Another benefit is the ability to alert our IFA subscribers of fraudulent activities. The IFA has a fraud alert link on their web site, however you must take an active role by logging on and navigating to the link to post a message. Both the Discussion Group and the Forum will alert you automatically when a new message has been posted.

During the past year, subscribers have told me they've benefited from reading the questions along with the many different answers. I would encourage all IFA members to subscribe. . . . I've learned a lot just reading the posts.

The IFA Discussion Group is free and open to IFA members that want to share their areas of interests, ask questions and refer business back and forth.

The really cool thing about our Discussion Group is that it is created as a private group, all members must be approved by the IFA. Only Factors, Attorneys and staff members of the IFA may belong. The IFA receives about 10 requests for admission each month, only Factors are allowed to join. Currently there are about 70 members.

To subscribe go to your email program and in the "to" field type:

factoring_assoc-subscribe@yahoogroups.com

Then hit send just like you would send a normal email. You will receive an email from Yahoo verifying that you requested membership (I believe this is to prevent third parties from entering you into discussion groups without your knowledge). You must respond to this email. Yahoo will then send an email to the IFA indicating your request to join. The IFA will attempt to confirm that you are a Factor. Once confirmed, you will receive confirmation that you are now a member.

That's it, you're on!!!

Important to note - when you subscribe and reply, do not type anything in the subject line or text part of the email. Leave that part blank.

Some of the topics that have been discussed in the past few months are:

- UCC Searches
- Tennessee tax regulations
- CPA Referrals
- Government Receivables
- State Tax Liens
- Credit Insurance
- Florida Documentary Stamp Tax

If you have any questions please email at randgrp@pacbell.net or call me at 510- 223-1280.

Randy Ontiveros is with Resource Business Partners in Northern California. He is also a returning Board Member for the IFA.

Upcoming Event

Conference Call with Attorney Steve Kurtz

Thursday, November 14th at 1:00pm PST

Topics to be discussed will include: funding invoices, verification/notification, fraud and dealing with other creditors.

Cost of the call is $50.00
To register, e-mail info@factoring.org or call 800-563-1895.

In order to keep the newsletter & IFA membership free, our primary method of distribution for the newsletter is via e-mail.

To receive this newsletter via e-mail, please send a blank e-mail to listserver@factoring.org. Just type "subscribe IFA" in the subject line.

To unsubscribe from the publication:
Send a blank e-mail to listserver@factoring.org and type the words "unsubscribe IFA" in the subject line.

IFA

555 Chorro Street, Suite B
San Luis Obispo, CA 93405