



# Factoring 101

Presented by Brian Center

# Agenda

- What is factoring
- The factoring process
- The foundations of factoring
- Why

# What is Factoring



# Factoring: alternative financing method



Oldest form of  
business  
financing



## Factoring

Used as **bridge financing**  
for companies dealing with  
a **shortage of cash flow.**



## Factoring

Allows companies that  
cannot secure  
“conventional” financing to  
get funded/working capital.

## Advantages of Factoring

By shifting the “risk” to the **Account Debtor**, the factoring client can **secure financing** with no or even somewhat troubled credit.

Factoring

Increases **predictability**  
and **speed** of **cash flow**.

# Factoring Process



# Factoring Process

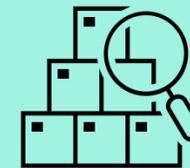
Notify



Verify



Identify



Solidify





## Assets

Notify - all current & future receivables are assigned



## Payment & Address

All current & future receivables are assigned. Send to party that should know



## Evidence of Delivery

Signature: Good evidence (Email confirmation, Certified Mail, FedEx / UPS, etc. Received Check!)



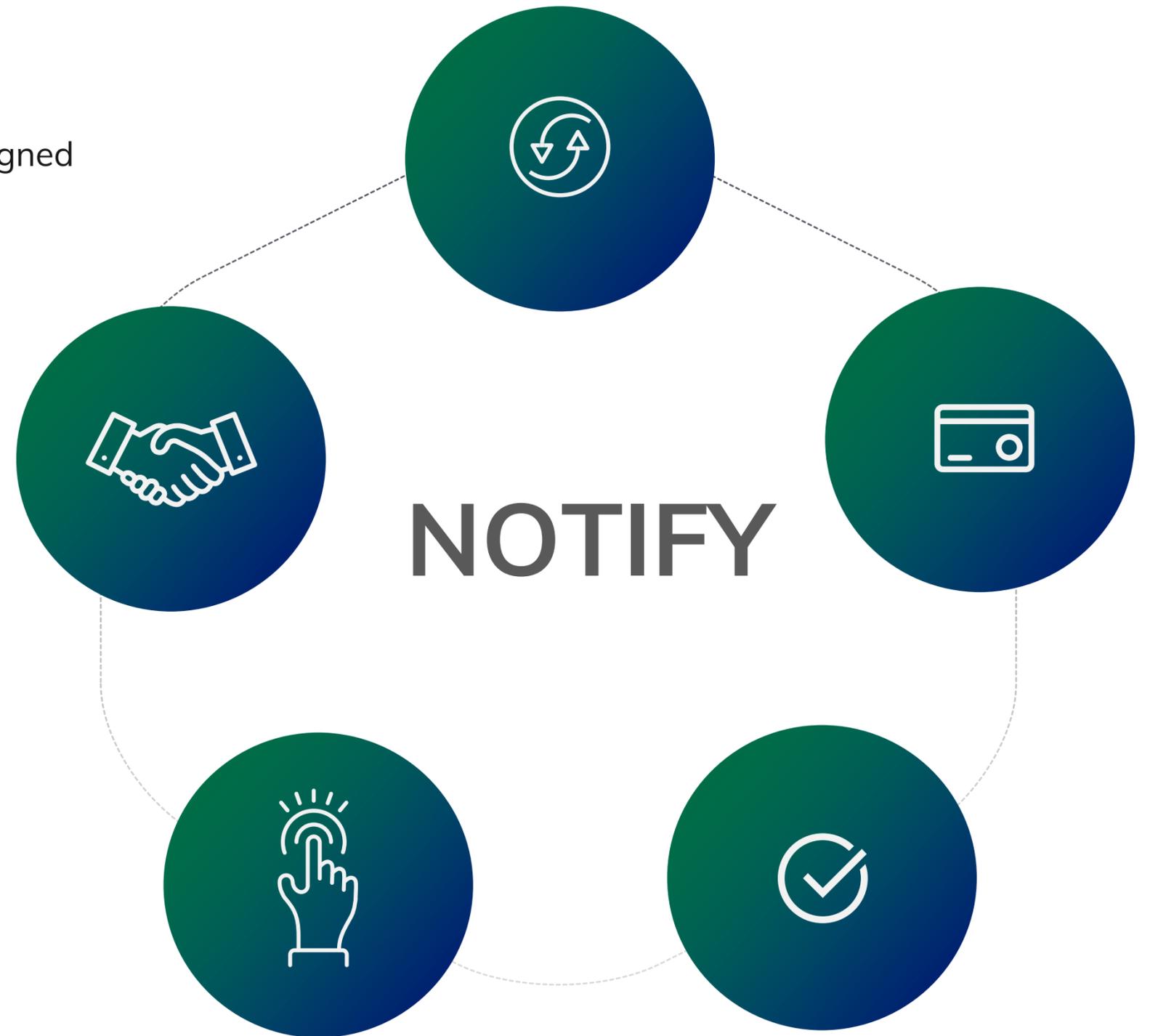
## AD Objections

Within code  
Outside of code



## Importance

Why is it important?





### Challenge

Is it real?  
Can it change?



### Electronic

E-mail portal, Emailage  
Web confirmation



### Verbal

Post A/R Purchase  
Pre A/R Purchase



### Written

Signature is key

# Pre-verification & Estoppel Agreements



- What is it?

A verbal or written “agreement” that establishes a promise that the factor can rely on the representation made by the account debtor in order to purchase A/R.

- How to establish?

Work is complete.

No offset, now or future.

Invoice date is correct

Authority

Reliance – overt

\* Any problems, any comments, how is the relationship?

# Supporting Documentation



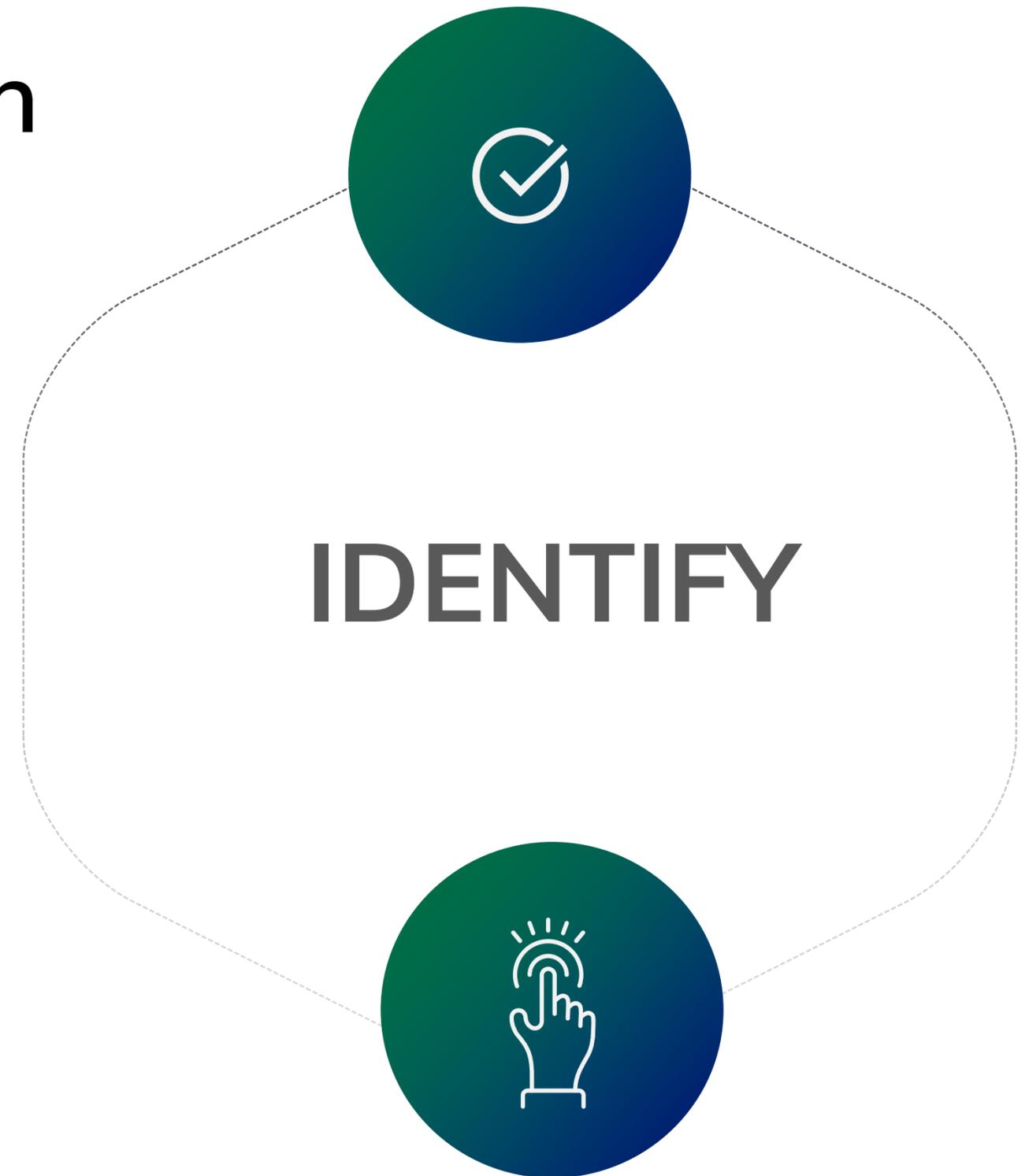
What third-party evidence is provided- with the Invoice Purchased- to evidence a completed sale and answer the question: **What am I purchasing?**

- Time Sheets
- Purchase Orders
- Delivery Receipt
- BOL
- Statement of completion



What other conditions exist that may provide a challenge to the validity of the documentation?

- Contracts
- MSA
- Distribution Agreements





Who signs  
acknowledging  
what?

(Mr. Swiggly)

# Identify → Fraud

**INTENT**



**NEED**



**Diverted  
Funds**



**‘Optimistic’  
Billing**



# Identify – Trends



## Simple Analysis

Aging → Turnover → Dilution  
Post – funding confirmation calls  
Who is paying you?



## More Detailed Analysis

Analysis reports → Risk Factor → CRM  
Variance in Purchasing Patterns



## Relationships

Best mitigant against fraud



## Failure Mitigants

The client will want to talk with you  
The client will never want to leave you

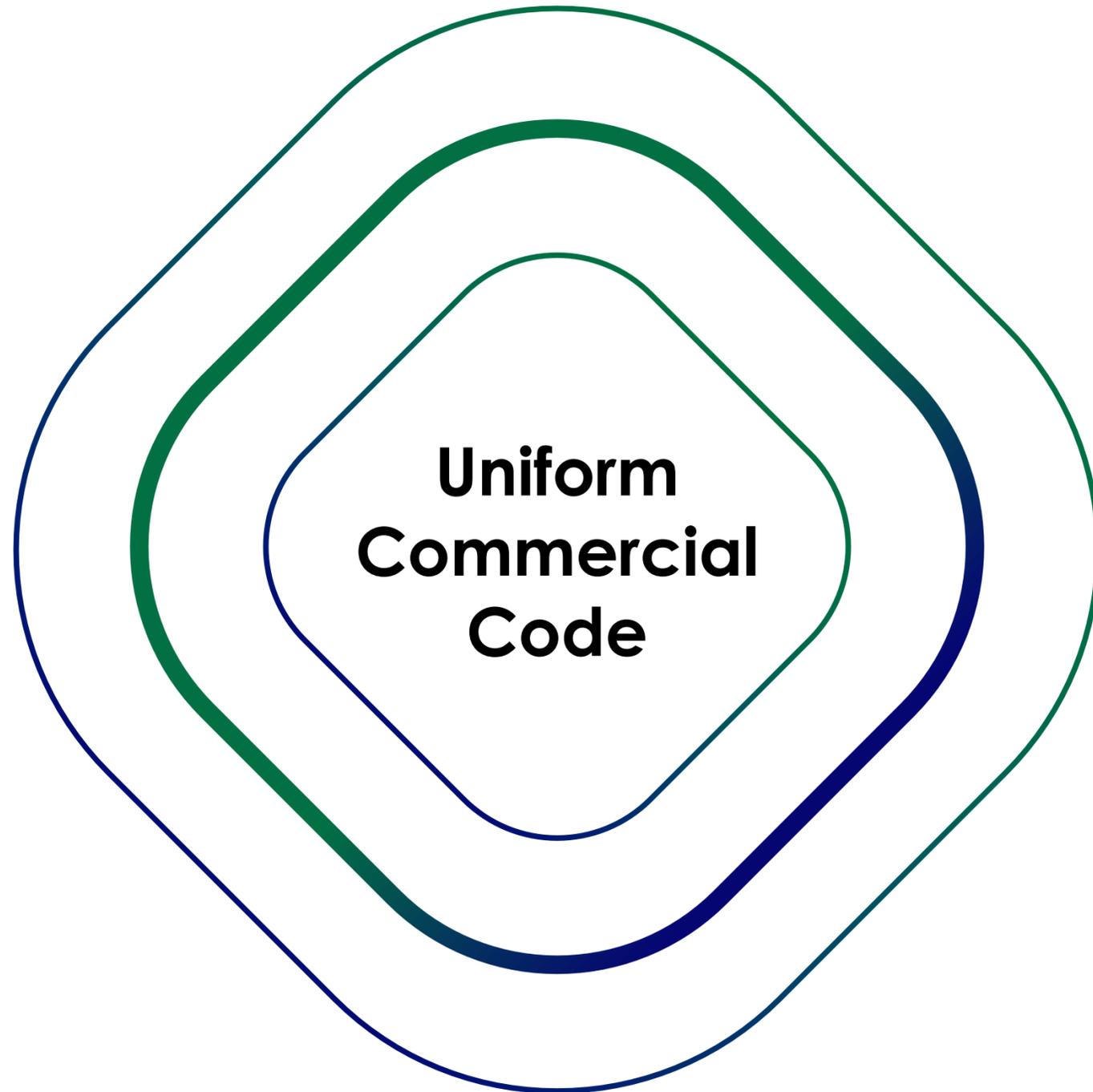


## Character, Character, Character



Know your client  
Know your client's  
business  
Visit your client





## **The Right to Perfect (9.504)**

### **The Right to Notification Protection**

What must be included in a proper NOA (9.406)

- Name
- Address
- Instruction
- Statement: reminding that payment obligation is only satisfied when factor receives

### **The Right to Terminate**

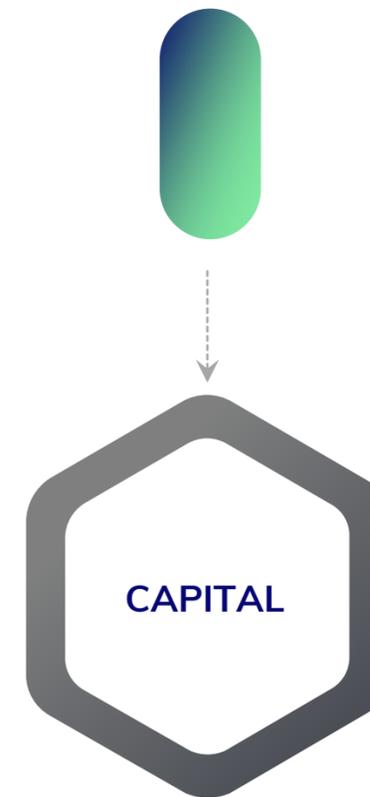


# Cs of Credit

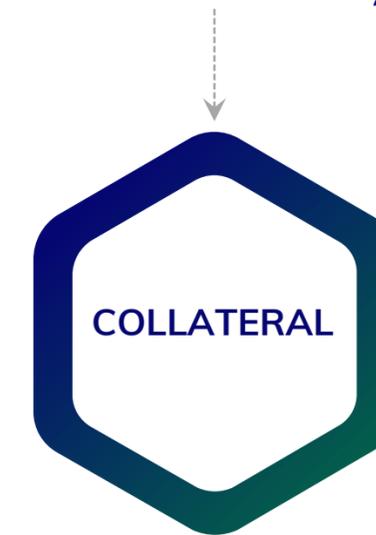
A/D Credit  
Client Credit



Key above all else



Documentation  
required to identify  
that all A/R is solid  
= Solidify

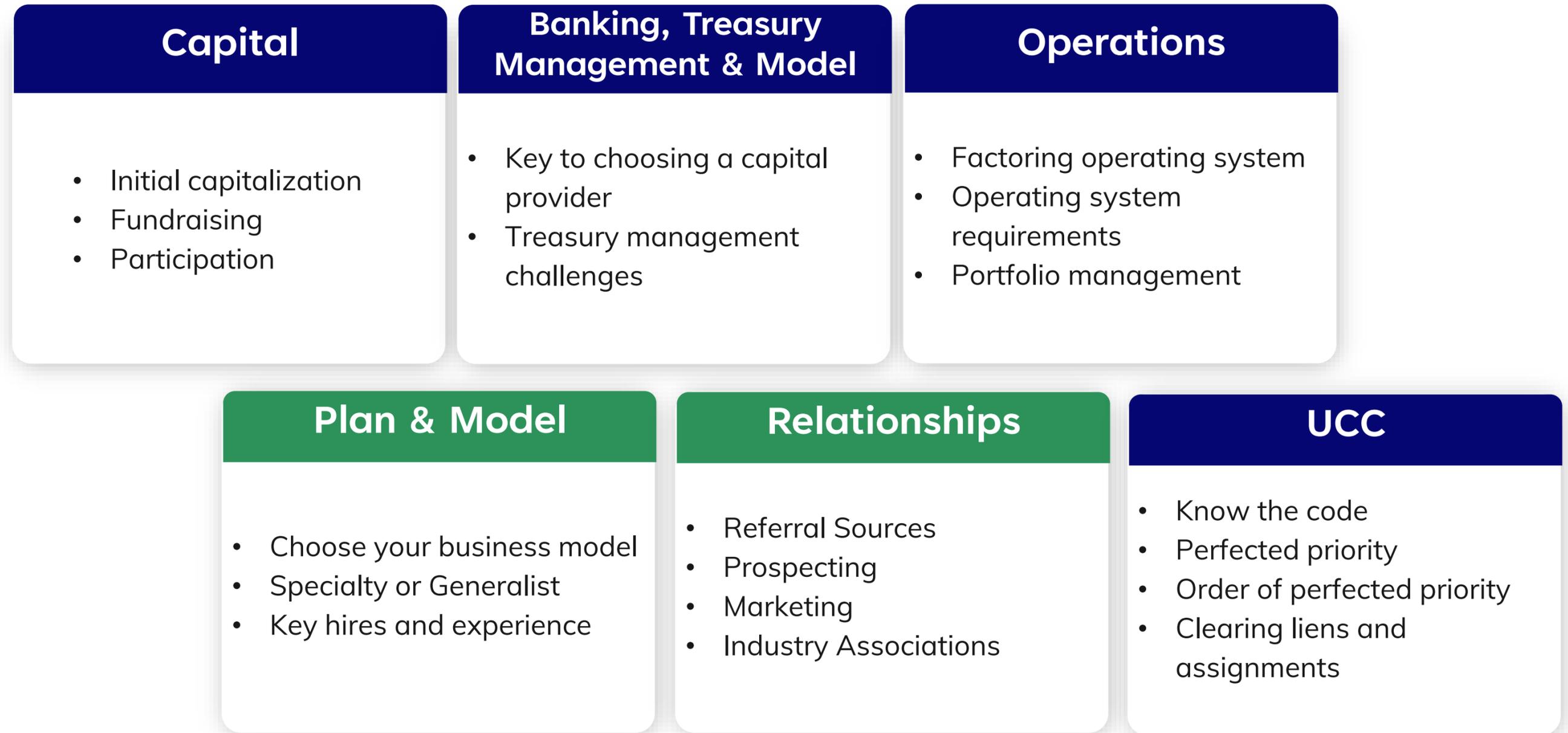




# Foundations



# Factoring Foundations



# Formative Best Practices

1 Factoring industry lessons and allies

3 Keep it local

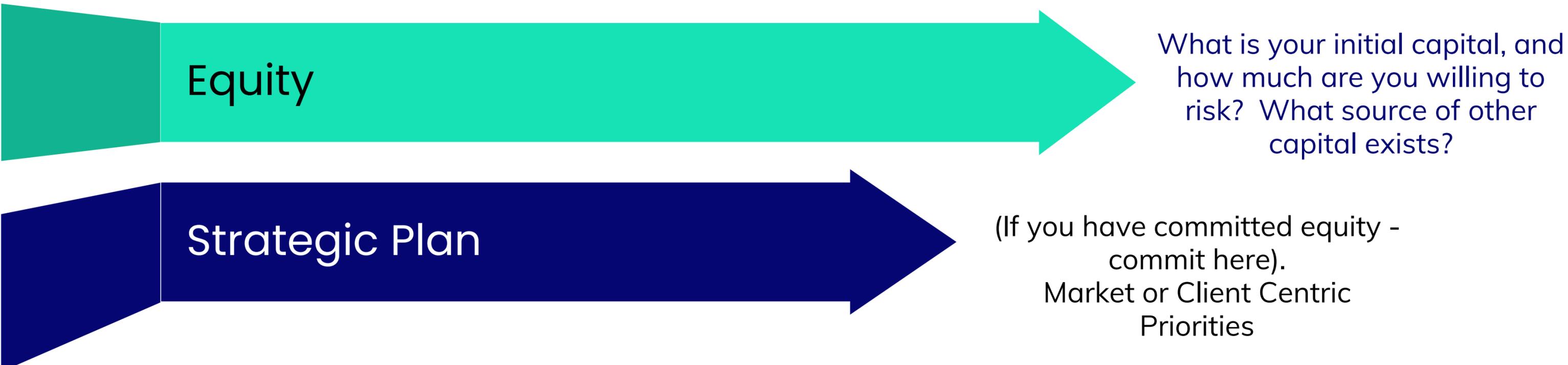
5 Know your competition

2 Hire a lawyer you trust and that understand factoring terms and contracts

4 To start factor small deals, refer big ones

6 Know your limitations

# Key Considerations



Equity

What is your initial capital, and how much are you willing to risk? What source of other capital exists?

Strategic Plan

(If you have committed equity - commit here).  
Market or Client Centric  
Priorities



# Market Research

## Demand

Create customer profiles per industry. Start local.

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## Competition

Educate yourself in the factoring landscape.  
Network with industry associations.  
Understand what is your competition doing  
and what best practices are.

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## Strengths

What makes your brand and offer unique?  
What are your values and strengths?



# Why



**Start with the why:**  
**back up and**  
**examine the**  
**motivation**



**Money -  
wealth**

Is money your driving factor?  
What value can you add that  
differentiates you?

**Financing  
expertise**

The basics of giving money to  
others and the tools and expertise  
needed to get the money back.

**Small  
business  
expertise**

Understand the types of businesses  
that benefit from factoring and how  
factoring works for different  
industries

**Creating  
Value**

What would be your company DNA  
and culture?

Let's do  
great things  
together.



You've heard from me.

**I want to hear  
from you.**



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