

**Title:**

Working Capital Solutions With Factoring

**Word Count:**

777

**Summary:**

Ideal Candidates for Accounts Receivable Factoring:

Any business that provides a product or service to other creditworthy businesses and is constrained by their day-to-day cash flow situation.

Does your business need:

- Cash to Cover Payroll?
- Working Capital to Fuel Growth?
- Help with Cash Flow Problems?
- Help because of Bank Turn Downs or refusal to extend current lines?
- New Equipment to Grow?

What is factoring?

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**Keywords:**

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**Article Body:**

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Does your business need:

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What is factoring?

In a traditional factoring arrangement, a company actually sells its receivables to another company (a "factor") at a discount. After the sale, the receivables balances are carried on the factor's balance sheet since title has passed. Because the factor then owns the receivables, it generally provides all the required credit, collection and accounting services necessary to collect the receivables, including assumption of the ultimate loss exposure from the client debtor. The important difference between factoring and asset-based lending is ownership. In factoring, the receivables are purchased and owned by the factor. In asset-based lending arrangements, accounts receivable are pledged to the lender as security for the loan, but the borrower retains ownership and complete control of the receivables and the value of the receivables remains on the borrower's financial statement.

Keeping the cash flowing is a challenge for all businesses. Does your company face cash flow challenges because of slow paying customers? Have you been forced to decline new opportunities because of cash flow issues?

As every business owner knows, sales alone do not measure the profitability of a company. For example, sales may be increasing, but a company may have to wait weeks or even months for payment. During that time, your company cannot purchase materials for more orders, meet payroll, or other basic operating expenses. The solutions may be Accounts Receivable Funding provided through Diversified Funding Services, Inc. Accounts Receivable Funding is quickly becoming a popular choice for its flexibility and rapid injection of needed capital.

Why Accounts Receivable Funding is a Popular Choice in Today's Business World

Accounts Receivable Funding or "factoring" has been in existence for several decades. Today, virtually any-sized business that extends credit to other businesses for goods or services can enjoy the many benefits of Accounts Receivable Funding.

Simply stated, Account Receivable Funding is the exchange of creditworthy

commercial accounts receivable for an immediate injection of working capital. When an invoice is generated, it may be purchased with an advance of anywhere between 75 to 90% of the net invoice amount. When your customer pays the invoice, you will receive the reserve portion minus a nominal servicing fee.

#### Why Accounts Receivable Funding Makes Financial Sense

Accounts Receivable Funding offers many Advantages:

- Initial funding is typically available between 5-7 business days upon receipt of completed formal agreements, and then all future advances are funded within 24 hours.
- Accounts Receivable Funding does not create a financial liability on your company's balance sheet and generally no other collateral (outside of the receivables) is required.
- The amount of funding available to you is only limited by the creditworthiness of your customers.
- Accounts Receivable Funding focus on the creditworthiness of your clients instead of your financial history.
- Accounts Receivable Funding allows quick access to working capital, instead of waiting 30, 60 or 90 days to receive payment from your customers, money is immediately available on demand.

Accounts Receivable Funding Programs have been "generally" designed with the following criteria in mind.

- Your company must be providing a product or service to other credit worthy businesses (no consumer sales)
- Your company must be selling on terms
- Your company must be billing in arrears (no pre-billing)
- Your company must have minimum monthly sales of at least \$10,000 or annual sales of \$120,000
- Your company is not required to be in business for any length of time
- Your company should have the capability to generate financial reports (A/R and

A/P aging reports, etc.)

- Your company may have current and/or historical losses or a deficit net worth position

#### Ideal Candidates

- Start-ups
- Companies suffering financial setbacks
- Service Companies
- Companies with seasonal orders
- Mature companies seeking cash flow support
- Companies seeking credit assistance
- Businesses experiencing rapid growth
- Non-bankable businesses

An example of the application process:

1. Complete the application
2. Provide your most recent and detailed accounts receivable aging report
3. Provide your most recent and detailed accounts payable aging report
4. Provide an actual sample invoice
5. Provide a copy of your Articles of Incorporation/d.b.a. filing
6. Provide a copy of your customer list
7. Some factoring companies require financial statements, others do not.

#### Preferred Industries

- Service
- Temporary Staffing
- Security companies
- Manufacturing
- Transportation
- Textile/Apparel
- Computer Consulting
- Distribution Companies
- Printers
- Sub-Contractors
- All other Industries
- Any company that provides a business to business product or service to another credit worthy business!

Thanks for reading!

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