iThrive FUNDING

by Robert Marker - Owner

Cash flow is vital for your business. Factoring can help stabilize it, but choosing the right factoring company is crucial. This guide will help you avoid common pitfalls.

Key Criteria for Choosing a Factoring Company

1-Value Proposition

Value refers to the worth or utility that customers perceive relative to its price or cost.

- Determine what is valuable to you.
- Consider utility, quality, price, trust and experience.
- Ask questions like:
  - Do you want personalized service?
  - Can you get information easily?
  - Are relationships important?
  - Do you need quick response times?
  - Do you want flexibility?

2-Factoring Agreements

Factoring agreements can be up to 30 pages long… especially if they are from large factoring companies. Navigating these agreements can be intimidating.

Key questions to ask:

- [ ] **Do they file a lien (UCC Filing) if you apply?**
  - UCC Filing is common practice in financial lending. However, if you elect not to sign their agreement, how will the lien be released?
- [ ] **What is the advance rate?**
  - This is the percentage of the invoice amount you will receive upfront
- [ ] **What are the fees and rates involved?**
  - Discount Rate: This typically ranges from 1% to 4% of the invoice amount depending on your volume. Industry Norm right now for 1 truck over the road business is around 3%.
  - Additional Fees: Are there any additional fees, such as application fees, monthly minimums, or processing fees?
  - Transfer Fees: Wire/ACH Fees
- [ ] **What is the contract term and are there early termination penalties?**
  - Understand the duration of the agreement: 12 months, 6 months, month to month
- [ ] **Are there volume requirements?**

- Many factors will adjust rates based upon load volume. For example, if you don't submit more than 10,000 of invoices, your rates will go up. Understand how these requirements may impact your business.

- [ ] **What is the recourse or non-recourse policy?**
    - Recourse factoring means you're liable to repurchase any invoices that the factor cannot collect payment on.
    - Non-recourse factoring means the factor assumes the risk of non-payment, but it often comes with higher fees.
    - NOTE: Non-Recourse only protects you when your customer goes insolvent!!!
- [ ] **What happens if customers don't pay or there are disputes?**
    - Understand the factor's collection process and whether you'll be responsible for repurchasing unpaid invoices.
- [ ] **How do I terminate my agreement?**
    - Most companies have a notice period. You have to provide termination, or the agreement renews.
- [ ] **Can I choose which invoices to factor?**
    - Some factors may require you to factor all your invoices, while others may allow you to select which ones to factor.
- [ ] **What reporting and tracking tools are provided?**
    - Determine what kind of reporting and tracking tools the factor provides to help you manage your accounts receivable.

Final Tips

- Always review the agreement before signing.
- Check if the factoring company is affiliated with the International Factoring Association (IFA).
- Review reviews to gauge customer satisfaction and company responses to issues.

Remember: Understanding what you value and scrutinizing the agreement details are key to finding the right factoring company for your business.

Free Offer!

If you need someone to review a factoring agreement, give us a call or send us an email at info@ithrivefunding.com.

844.770.2958

info@ithrivefunding.com

iThrive FUNDING

1104 Country Hills Drive Ste 500 Ogden UT, 84403