PROGRAM: Factoring

DESCRIPTION: Factors purchase invoices at a discount, i.e. they receive the payments and advance funds on a purchase basis, as opposed to a loan basis.

ELIGIBLE USE:
- Factoring provides the following benefits:
  - Reduces time and expense of collecting receivables; and
  - Provides immediate cash flow to meet critical expenses and finance new orders.

PROGRAM/LOAN STRUCTURE:
- Advance factoring: Allows a business to obtain cash from a receivable before the invoice is actually due for payment. Over-advances may also be available to ease business growing pains.
- Spot factoring: Allows a business to enter into a short-term contract with the factor; a one-time transaction with no future commitment restraints applied.
- Maturity factoring: Allows a business to receive payments on the average maturity dates of each month's sales.
- Non-notification factoring: Is an arrangement in which the business maintains the bookkeeping and collection function, while the factor guarantees the credit and may be formally assigned to carry out the collection function.
- Importing and exporting factoring: Relevant only when dealing with foreign customers. The factor performs the credit approval process on foreign customers on behalf of the business. Cash is provided to the business when the goods are shipped.

QUALIFICATION CRITERIA/COMMENTS:
- May be more expensive than bank financing.
- One possible source for more information is http://www.business.com/directory/financial_services/commercial_finance/factoring/ .