

FACTORING AS A SOURCE OF BUSINESS FUNDING

By Berwyn J. Kemp

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Do you supply products and services to commercial customers and are unable to secure traditional bank financing? If so, do you very often have to wait 30 to 90 days or longer for your customers to pay your invoices? Which often leaves you short of the capital you need to effectively operate and build your business.

If you answered yes to both of these questions. Then there could be a source of business funding that could work for your business. That source of funding is the factoring of your accounts receivable invoices. Which could very well give you the capital you need to more effectively operate, expand, and grow. Because you'll no longer have to wait for your customers to pay your invoices.

What's more, the factoring of your accounts receivable invoices is much easier source of financing to access than traditional commercial bank financing. Because the factor doesn't look at the credit rating of your business, nor do they look at your personal credit rating. Both of which can be a problem particularly for new businesses. And other kinds of Businesses that don't meet the very conservative standards of most commercial banks. Instead factors base their decision to factor or not to factor your invoices on the credit of your customers.

Therefore, if you supply products and services to commercial customers who have good credit ratings, such as, government agencies, well established commercial firms, hospitals, universities, insurance companies, etc.. Then you can more than likely qualify for accounts receivable factoring.

In addition, as a rule, factors don't require long term contracts as in more traditional kinds of lending, nor do they ever audit your books. For these reasons and more, this makes obtaining an accounts receivable factoring loan a relatively quick, simple, and easy process, to give you the business funds that you need.

What the factor basically does is advance you between 70% to 80% of the value of your commercial invoices. The factor then collects the invoices directly from your customer. Once the factor collects on the invoices they subtract their fee, and then sends you the balance of the invoice amount. What will factoring cost you? Well, factoring fees start at about 4% for invoices collected within 30 days goes up to about 15% for invoices collected in 120 days or so. Thus, the fee depends on when the factor actually collects the invoice.

There are some business people who wrongly believe that factoring makes them appear financially unsound to their customers. If this is what you believe it is simply not true. Today many modern firms are factoring their accounts receivables. As a way to get the capital they need to effectively operate and build their profits faster. In fact, many commercial banks are actively referring they can't finance to factors. In addition, a number of major commercial banks have actually opened factoring divisions.

While factoring is not right for every business, it could be right for your business as a source of business funds that works for you. Particularly if your business is new, or you are unable to tap traditional commercial bank financing. Then factoring could very well be the answer to your business funding needs.

Berwyn J. Kemp is a financial consultant who helps businesses get funding. For full information on his funding how to booklets and services visit him at: <http://www.bkempassoc.CityMax.com> , NOW!

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