



## ACCOUNTS RECEIVABLE FINANCING

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### WHAT IS ACCOUNTS RECEIVABLE FINANCING?

Accounts receivable financing is the purchase of one or more invoices that a business generates to another business or government agency. The purchaser of these invoices is called a **Factor**. A Factor is a funding source (a private well-capitalized company) that specializes in purchasing invoices (accounts receivables)--at a discount. By discounting the invoice, the business is able to get cash from the receivable(s) immediately.

Factoring is not a lending service. It is different from a bank loan. There is no debt. When the Factor purchases accounts receivable, it forwards cash to the business within 24 hours of the business invoicing their customer. Thus, the business does not have to wait 30, 60, 90 days to be paid. It works like a "credit card" transaction in a retail store: You send the invoice to the Factor and receive immediate cash. You, the dealer, get your money right away, and the Factor does the collection of the invoice. Most dealers think it well worth a small discount of that invoice to see the cash flowing in so quickly. It is not a new notion to give a discount for receiving cash sooner than later. It's like transforming receivables into "C.O.D.type" transactions.



### BACKGROUND:

Factoring invoices has been a long-established practice. Fortune 500 companies, as well as the garment, transportation and furniture industries have been the primary participants in this industry. In the 1950's more Private Funding companies joined the cash flow industry to meet the needs of the **small to mid-sized** businesses. The factoring volume in the U.S. exceeds \$200 billion annually. In Europe, nearly 75% of businesses factor their invoices. In the U.S. it's less than 10%. It is an opportunity waiting to be taken advantage of.

### Why is Accounts Receivable Financing (Factoring) good for my business?

- **Stimulates cash flow:** The cash can be used to: increase sales, pay bills, make payroll, pay taxes, buy needed inventory, or take advantage of early discounts from vendors.
- **Relies on the strength of a business's customers**, not the credit strength of your business.
- **Accessibility:** If you have invoices (accounts receivable), you can qualify.
- **Quick results:** It raises the level of funds available to meet the needs of your expanding business, without a lot of hassle.
- **Flexible:** You may choose to factor some, any, or all of your invoices..

### If my business factors an invoice, how does it work?

- The Factor advances a percentage of the invoice amount to the business--immediately.
- The Factor holds a small percentage of the invoice amount as a "reserve".
- The Factor collects and receives payment on the invoice.
- When the invoice is paid in full, the Factor rebates to the business the reserve amount, less the Factor's nominal fee.

[Contact Us](#) at **Capital Now** to have a free, no obligation consultation.

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