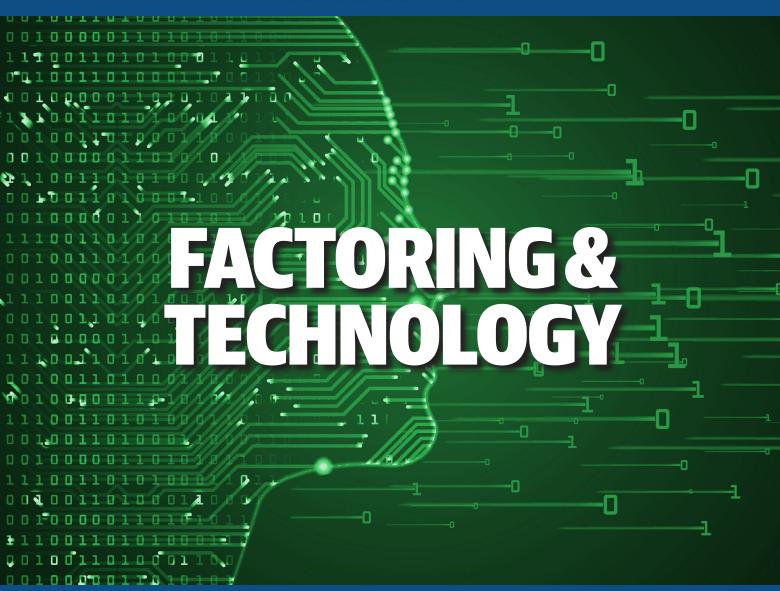
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COMMERCIAL





ALSO INSIDE:

How Smaller Businesses are Being Impacted by the New Tariffs

Talking Technology with Tania Daniel: ENGS Commercial Managing Director Advises Factors to Change with the Times

2019 Technology Roundtable

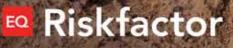
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TABLE OF CONTENTS





WHEN GHOSTS ARE GOOD: BASIC CYBER SECURITY PRACTICES By David Rains

HOW SMALLER BUSINESSES ARE IMPACTED BY THE NEW TARIFFS By Tom Novembrino and Mark Polinsky



8

TALKING TECHNOLOGY WITH TANIA DANIEL: ENGS COMMERCIAL MANAGING DIRECTOR ADVISES FACTORS TO CHANGE WITH THE TIMES By Nadine Bonner



26

IFA ANNUAL FACTORING CONFERENCE RECAP AND UPCOMING EVENTS PREVIEW *By Heather Villa*

2019 COMMERCIAL FACTOR TECHNOLOGY ROUNDTABLE

COLUMNS



LEGAL FACTOR: FACTORING VS. TRADE PAYABLE FINANCING *By Steven N. Kurtz, Esq.*

WHAT'S NEW AT IFA

ADVERTISER INDEX

BCR	2 ^r
Capital One	IBC
Decipher Credit	5
Factor Fox	5

International Factoring Association	7, 13, 22
Hubtran	15
EQ Risk Factor	IFC
Utica Lease Co	BC

FROM THE MANAGING DIRECTOR

BY HEATHER VILLA



Thank you to those who joined us at the IFA's 25th Annual Factoring Conference! Attendees gathered in San Diego to take part in the world's largest event for the factoring industry.

The laid-back atmosphere allowed attendees to network with their peers, share experiences and gain new insights into the industry. The speaking sessions were highly rated, as well, which shows the importance of this annual event. A writeup on the conference can be found on page 18. Join us next year at the IFA Annual Conference April 22-25, in Nashville TN. If you missed this year, you can purchase the MP3 session recordings in the IFA online store.

Also new in the IFA store is our 2019 Factoring Industry Survey Report. This is the seventh survey to report on the factoring industry, spanning 13 years of data. This report represents a comprehensive analysis of the factoring industry. Various aspects of a factor's operation were evaluated, including:

- Company profiles
- Client details
- Operating metrics
- Business development practices
- · Bad debts and credit reviews
- Human resources/employee benefits
- Information technology

The survey was conducted by Industry Insights, an independent research and consulting firm that specializes in operating surveys. New this year, the results have been included in an online searchable application that allows users to generate results using the criteria they select. Those that contributed to the report have received a free copy and online access to the results. If you would like to purchase the report, please visit the IFA online store.

Now that the annual conference has passed, the IFA is focusing on our training classes for the remainder of the year. We have some new and exciting educational opportunities for the factoring industry coming up. Our upcoming classes include:

- The Law & Business of Factoring Training Class
- Account Executive/Loan Officer Training Class
- Sales & Marketing Training Class
- Transportation Factoring Meeting
- Successful Transportation Factoring Training Class
- Supply Chain Finance Training Class
- Strategic Thoughts Training Class: What's Next for Your Factoring Company in Today's Market?
- Presidents & Senior Executives Meeting

More information on these classes is listed on page 19 and can also be found on our website in the events section. The IFA also offers various online webinars that will be listed as they become available.

The American Factoring Association (AFA) is taking great strides in the 10th year since becoming established as the lobbying arm of the factoring industry. Palmer Hamilton from Jones Walker summarizes the AFA's accomplishments and emphasizes the necessity of this organization on page 22. Please consider supporting this great cause, as your contributions are needed yearly to help continue protecting the factoring industry.

I would like to welcome four new members to the IFA's Advisory Board. These individuals help design training programs, assist the IFA with current challenges within the factoring industry and foster new ideas to benefit IFA member organizations. Each member serves a two-year term. The newly appointed Advisory Board members include:

- Chris Abel, Co-Founder and Owner of iThrive Funding, LLC
- John Cummings, CEO of Advance Capital Solutions, LLC d/b/a ACS Factors
- Tania Daniel, Managing Director, Factoring, of ENGS Commercial Capital
- Gerry Wawzonek, Founder and CEO of Capital Now Inc.

Returning members are:

- Kee Kim, President and CEO of Finance One, Inc.
- Paul Schuldiner, Senior Vice President of Rosenthal & Rosenthal
- Nel Somarriba, President of New Century Financial
- Kevin Wood, Managing Director and Senior Vice President of Chesapeake Bank's Cash Flow Division

Through their support, as well as the support from preferred vendors, sponsors and everyone contributing to our training classes and conferences, the IFA has become the leading organization for the receivables finance community with over 500 corporate members. We strive to keep you informed with current events, educated with quality training and help you prepare for the future. We look forward to seeing you at one of our events soon!

the Ville



THE INTERNATIONAL FACTORING ASSOCIATION

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Nel Somarriba New Century Financial, The Woodlands, TX

> Gerry Wawzonek Capital Now, Calgary, AB, Canada

> > Kevin Wood

Chesapeake Bank, Cash Flow Division, Gloucester, VA

The International Factoring Association's (IFA) goal is to assist the factoring community by providing information, training, purchasing power and a resource for factors. The IFA provides a way for commercial factors to get together and discuss a variety of issues and concerns about the industry. Membership is open to all banks and finance companies that perform financing through the purchase of invoices or other types of accounts receivable.

The Commercial Factor is published bi-monthly by the International Factoring Association. **To subscribe, please email** info@factoring.org.

The Commercial Factor magazine invites the submission of articles and news of interest to the factoring industry. For more information on submitting articles or advertisements, email news@factoring.org, or call 805-773-0011.

The views expressed in the Commercial Factor are those of the authors and do not necessarily represent the views of, and should not be attributed to, the International Factoring Association.

NEWS

INDUSTRY NEWS

IFA Accepts Artis, Rainstar Capital & VeriCore as New Preferred Vendors

The International Factoring Association accepted three new vendors into their preferred vendor program: Artis Trade Systems, Rainstar Capital Group, and VeriCore.

The companies undergo a rigorous screening process before being selected and are subject to ongoing monitoring. Each will offer special discounts available only to IFA member firms.

Artis Trade Systems is a fully cloud-based software-as-a-service which offers ArtisPay, a supply chain finance app that allows banks and lenders to provide buyers and suppliers with a flexible, customizable, easy-to-use enterprise-grade software.

Rainstar Capital Group is a multi-strategy private equity firm that makes direct investments and provides advisory debt capital. Rainstar partners with factoring firms who have clients seeking debt capital products separate from the factoring solution for growth needs.

VeriCore is a contingent, fully licensed and bonded agency with an A+ rating with the BBB and a strong focus on compliance. Their proprietary collection process is designed to create constant and methodical pressure on a debtor which compels them to prioritize factors at the top of their accounts payable list.

Over the years, the IFA has built strong relationships with more than 25 vendor firms.

SouthStar Capital Acquires Fintech Firm inFactor

SouthStar Capital, a provider of alternative financing to businesses in need of working capital to grow and sustain their company, acquired Charleston, SC-based inFactor, strengthening and expanding its service offerings in the factoring and asset-based lending sectors.

inFactor's factoring portfolio — which included a factoring line of \$10 million to one of the country's largest IT staffing and training firms — and commercial customer accounts will operate under SouthStar's brand moving forward.

WEX Acquires Factoring Company Pavestone Capital

WEX, a fintech service provider, acquired Pavestone Capital, a factoring company with over 25 years of experience funding small- and mediumsized businesses throughout the U.S. The acquisition of Pavestone brings a team of talented and experienced individuals, along with their capabilities, to WEX's existing Fleet One factoring business, which will be led by Tim Valdez, co-founder of Pavestone.

Valdez will report to Tim Hampton, SVP and GM of WEX OTR. Together, they will move forward with a strong bench of talent and a robust competitive product offering in the market.

Folding the Pavestone brand into WEX will bring a new combined factoring business that will serve customers and the industry as a whole and bolster WEX's dynamic position in the over-the-road market.

The combined business furthers both Pavestone Capital and WEX's commitment to CFA and IFA members and will bring new services and technology to the forefront, furthering the factoring business.



Capital Financial Global Completes Merger with Affiliated Funding

Capital Financial Global successfully completed a merger with Affiliated Funding Corporation (AFC), an invoice factoring and commercial finance business.

AFC merged with and into CFGX, with CFGX now the surviving entity.

The merger consideration was composed of a combination of restricted preferred stock and new debt. The company does not have any plans for a reverse-split in connection with the merger.

It is anticipated that commercial finance, including invoice factoring, will form an informal business segment that will supplement CFGX's existing real estate and life settlement backed funding pursuits.

CANADA CHAPTER EVENTS

August

TBA Summer Gathering: Golf Angus Glenn

September 10

Legal Update Lunch

October 8

Fraud Prevention Operations Lunch

November 12-13 Two Day Seminar — Fintech & Cybersecurity

Meetings Location:

Mississauga Living Arts Centre Scotia McLeod Room 4141 Living Arts Drive Mississauga ON L5B 4B8

For more information, call Oscar Rombolà at (905) 603-6284 or email orombola@accutraccapital-itc.com. Visit IFA Canada's website at www.FactoringAssociationCanada.com.

Industry Veteran Ed Stolarski Launches Utica Equipment Finance

Utica Leaseco, a provider of customized asset-based equipment financing solutions, formed an affiliate company, Utica Equipment Finance. The new entity will offer equipmentbased term loans and leases to companies throughout North America and will be led by Utica co-founder Ed Stolarski.

Ed Stolarski has over 30 years of equipment and corporate finance experience including sales leadership roles with GE Capital and as co-founder of Nations Equipment Finance.

Utica Equipment Finance will provide creditbased loan and lease options from \$500,000 to over \$25 million to companies in the United States and Canada.

White Oak Healthcare Finance Launches Healthcare Real Estate Investment Vehicle with New Hires

White Oak Healthcare Finance will broaden its product offering and enter the healthcare real estate investment market. White Oak hired Jeff Erhardt, Paul Nevala, Mike Treiber, and John Brussard to build out the vehicle, which will initially invest up to \$500 million and will focus on investments in seniors housing and skilled nursing properties using triple net leases and joint-venture RIDEA structures.

Prior to joining White Oak, the team founded Capital Healthcare Investments, a subsidiary of a publicly traded REIT which they grew to \$300 million in assets over two years. Prior to that, they worked together for 12 years at GE Capital, Healthcare Financial Services where Erhardt was the head of the healthcare real estate equity platform, Nevala was head of long term care investment research, and Treiber underwrote and managed healthcare real estate equity and debt deals.

INDUSTRY TRANSACTIONS

Marquette Funds \$21MM+ in Secured Facilities for Three Companies

Marquette Business Credit funded three new facilities with new commitments totaling more than \$21 million for The Hibbert Company, a marketing and fulfillment service provider; Stalcop, a manufacturer of custom designed cold formed components; and Prestige Farms, a value-added poultry distributor.

The credit facilities will provide these companies with the funds necessary to meet their working capital needs, refinance existing debt, purchase additional equipment, and meet their business growth expectations.

Ares Commercial Finance Provides \$32MM Facility to Confluence Outdoor

Ares Commercial Finance provided a \$32 million senior secured revolving line of credit to Confluence Outdoor, a portfolio of seven premier watersport brands.

The proceeds of the transaction will be used to refinance the company's existing debt and to provide ongoing working capital to support the company's growth.

Tradewind Provides Factoring Facility to Canine Screening & Security Services Company

Tradewind closed a \$1 million credit facility for a leading veteran-owned and -operated company based in the United States that provides canine screening and security services for the air cargo industry.

The company conducts its services at every major international airport in the USA for the largest air cargo carriers in the sector. The funding will help the company fulfill its capital needs for growth, both in the long term and for day-to-day operations.

North Mill Provides \$1MM A/R Facility to Aspen Research

North Mill Capital provided a \$1 million A/R facility to Aspen Research, a provider of contract analytical testing and custom plastic compound toll manufacturing. The funds were utilized to pay off the company's current lender and provide additional working capital to support growth.

Encina Provides \$15MM Revolver to Metal Engineering Firm

Encina Business Credit provided a \$15 million senior secured revolving credit facility to a metal engineering and fabricating company. The credit facility consisted of a revolving line of credit based on A/R and inventory.

Gibraltar Helps Bakery Take Brand National With \$10MM Credit Facility

Gibraltar closed a \$10 million credit facility for Dewey's Bakery, which operates two large production facilities with 250 employees and has recently launched its own brand of cookies and crackers.

Dewey's required increased working capital to support this growth initiative and make the strategic investments necessary to market its brands nationally. Gibraltar developed a plan to make advances, as needed, against all of Dewey's assets, using A/R, inventory, and machinery and equipment as collateral. Gibraltar, as an expression of its confidence in the company's prospects, also offered an unsecured over-advance to meet Dewey's potential needs as it grows.

White Oak Healthcare Finance Closes \$82 Million Loan for

Caregiver Inc.

White Oak Healthcare Finance acted as sole lender and administrative agent on the funding of a \$82 million senior credit facility for Caregiver, a behavioral health company which provides residential and long-term support services to people with intellectual and developmental disabilities.

nFusion Capital Secures \$10MM Line of Credit to Support Rapid Growth

Texas-based financing firm nFusion Capital entered a new partnership with Amerisource Business Capital, securing a \$10 million senior secured credit line for the new venture that was formed in November 2018.

TAB Bank Provides Motocross Apparel Company with \$600K Revolver

TAB Bank provided a \$600,000 revolving credit facility to a motocross apparel company based in California. The new facility is extended through a multi-year agreement and will provide for the company's ongoing working capital needs.

The company designs and manufactures apparel and protective gear for the motocross industry that pushes product performance limits using new technology and design standards.

Sallyport Tailors Credit Facility for Footwear Distributor

Sallyport Commercial Finance provided a \$750,000 accounts receivable facility to a family-owned business that produces, imports and distributes quality footwear.

The business had grown from a one-person, single brand product line to a multifaceted wholesale footwear source with over 40 foreign partners and 2,500+ U.S. retail clients. The company's diverse portfolio of suppliers allows them to adapt to constant market changes.

Amerisource Closes \$1MM Credit Facility for Aviation Company

Amerisource Business Capital closed and funded a \$1 million senior credit facility for a commercial aviation fuel services company based in Texas. Proceeds of the facility will be used for growth and working capital.

PERSONNEL NEWS

Axiom Bank Promotes Dawkins to VP/SBA Division Manager

Axiom Bank promoted G. Hunt Dawkins to vice president/SBA Division manager. In his new role, Dawkins will lead Axiom's programs for extending government-guaranteed loans to small businesses.



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Dawkins has more than three decades of experience in banking. He joined Axiom Bank in 2018 as vice president/commercial relationship manager.

Crestmark Hires Ryan as VP/Sr. Underwriter in East Division

Crestmark brought on board John Ryan as vice president, senior underwriter for the East Division. Based in Troy, MI, he will report to Senior Vice President, East Division Underwriting Manager John Trendell.

Ryan brings more than 30 years of commercial finance experience to Crestmark. He most recently served as vice president of the special credits group with JP Morgan Chase Bank, where he was responsible for managing a portfolio of commercial loan relationships undergoing workout. He previously worked as risk portfolio manager of business banking and senior credit manager of business banking at JP Morgan Chase Ban and held various roles at Comerica Bank. He also served as asset-based lending credit manager for Greenfield Commercial Credit.

NORTHEAST CHAPTER EVENTS

June 18

Northern NJ Networking Breakfast

9am-11am

Topic: Small Factoring Firm Due Diligence and Servicing Coach Diner – Hackensack, NJ

October 22

Joint Lending Conference with NYIC, AFBA and DeBanked Topics and Presenters TBA

For more information, call Harvey Gross at (732) 672-8410 or e-mail hgross4@verizon.net or visit www.ifanortheast.org

MIDWEST CHAPTER EVENTS

Events TBA

For information on upcoming events, contact: Robert Meyers IFA Midwest Chapter President Republic Business Credit, LLC rmeyers@republicbc.com

Byrd Joins Regions Bank as Head of Fraud

Regions Bank hired Lee Byrd as head of Fraud. In this newly created role, Byrd will focus on protecting customers and the company from financial fraud and will report to Logan Pichel, head of Enterprise Operations.

Byrd joins Regions from BBVA Compass where he was director of Fraud and Physical Security. Prior to BBVA, Byrd held a variety of roles in information technology and business.

Four New Members Join IFA Advisory Board

Four new members joined the Advisory Board of the International Factoring Association.

Members serve a two-year term and assist the IFA in broadening public understanding of the uses and benefits of factoring and receivables financing, help design training programs and foster new ideas to benefit the IFA's member organizations.

The new members are:

- Chris Abel, co-founder of iThrive Funding.
- John Cummings, founder of ACS Factors.
- Tania Daniel, managing director of ENGS Commercial Capital.
- Gerry Wawzonek, co-founder and CEO of Capital Now.

Advisory Board members returning for a second year of the term included Kee Kim, president and CEO at Finance One; Paul Schuldiner, senior vice president at Rosenthal & Rosenthal; Nel Somarriba, president at New Century Financial; and Kevin Wood, managing director and senior vice president at Chesapeake Bank.

Triumph Bancorp Names Brenner New CEO of Triumph Business Capital

Triumph Bancorp named Geoffrey P. Brenner CEO of Triumph Business Capital. Brenner joins Triumph Business Capital after serving 10 years as president and CEO of TPC, a nationally recognized healthcare services company based in Plano, TX.

While leading TPC, Brenner drove the organization to consistently produce best-in-class performance results related to operations and customer satisfaction. As CEO, he improved operating margins from one percent to more than 40, while growing EBITDA by 260 percent, all while facing repeated cycles of unprecedented industry disruption.

Durman Joins Allied as Underwriter and Account Exec

Stacie Durman joined Allied Affiliated Funding, a division of Axiom Bank, in the role of underwriter and account executive.

Durman has over eight years of experience in factoring and brings with her credit and account management expertise that will help grow new business and provide fast fundings with superior client service, which are key elements of the Allied Customer commitment. In her prior role as a senior account manager, Durman created time-saving business processes while underwriting and managing an account portfolio.

BlueVine Names Herman Man Chief Product Officer

Online lender BlueVine named Silicon Valley technology and engineering veteran, Herman Man, its chief product officer.

Man will focus on developing the next generation of BlueVine products and oversee the company's product vision, strategy, design and execution. Man spent the past two decades building software and leading product strategy across technology startups and multinational corporations alike. He most recently held the role of vice president of Product and Partnerships at Xero, an accounting software company focused specifically on the smalland medium-sized business market. Man also previously held several leadership roles at Microsoft across Windows and Azure and received multiple patents for his work across identity, distributed systems, and commerce platform initiatives.

Additionally, Man served as director of Product Management for software-as-a-service digital marketing platform, Hearsay Social. Before that, he co-founded Chewsy, a crowdsourced restaurant recommendation platform and mobile application. At Chewsy, Man was responsible for leading service architecture, design and development.

North Mill Equipment Finance Appoints Hohl and Khan to Leadership Roles

North Mill Equipment Finance, an independent commercial lender in South Norwalk, CT, appointed Craig Hohl to senior vice president, chief information officer and Jennifer Khan to controller.

Reporting to North Mill's chief operating officer, Hohl will leverage his more than 25 years of technical leadership in the financial services industry to design and implement a technology strategy that supports North Mill's robust growth rate.

Before joining North Mill, Hohl was the head of technology at Amur Capital Management, overseeing all aspects of technology and communication across the company's global subsidiaries, including Amur Equipment Finance. Prior to that, he was the head of IT digital business at Chubb Insurance and held various roles, including eBusiness CIO, at Prudential Financial during a fifteen-year period.

Reporting to North Mill's chief financial officer, Khan brings 13 years of financial services experience to the company. She will be responsible for financial reporting, budgeting, and forecasting. Prior to joining North Mill, she was a fund controller for a private equities firm. She also worked as a regional accounting services manager where she managed the accounting and financial preparation for more than 135 homeowner associations. •

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20**19/20** UPCOMING EVENTS



TRAINING COURSES & EDUCATIONAL MEETINGS FOR THE RECEIVABLE FINANCE INDUSTRY		
Jun 17 - 18	The Law & Business of Factoring Training Class	Planet Hollywood, Las Vegas, NV
Jun 20 - 21	Account Executive/Loan Officer Training Class	Planet Hollywood, Las Vegas, NV
Jul 25 - 26	Sales & Marketing Training Class	Planet Hollywood, Las Vegas, NV
Sep 4 - 6	2019 Transportation Factoring Meeting	The Driskill, Austin, TX
Oct 17 - 18	Successful Transportation Factoring Training Class	Planet Hollywood, Las Vegas, NV
Oct 21 - 22	Supply Chain Finance Training Class	Planet Hollywood, Las Vegas, NV
Oct 24 - 25	Strategic Thoughts Training Class: What's Next For Your Factoring Company in Today's Market?	Planet Hollywood, Las Vegas, NV
Jan 22 - 24	2020 Presidents & Senior Executives Meeting	Andaz Costa Rica Resort Guanacaste, Costa Rica
Apr 22 - 25	2020 Annual Factoring Conference	Omni Nashville, Nashville, TN

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Payment Method: Check, VISA, MasterCard, Am Ex or Discover. Cancellations made 30 days or more before the course, will be refunded the registration fee less a 20% cancellation charge. No refunds for cancellations after the 30 day deadline. You may substitute attendees without penalty. Accommodations: Special room rates have been negotiated for all training courses & meetings. Refer to the International Factoring Association rate when calling for hotel reservations. United is the official airline of the IFA. Call 800-426-1122 or visit united.com and put in Offer Code: ZFS6291314. (Codes are good for 2019 classes only)

International Factoring Association, P.O. Box 39, Avila Beach, CA 93424-0039



The IFA offers CLE credits for upcoming programs For information on approved programs & states, please contact Heather Villa at info@factoring. org or 805-773-0011 ext. 301.



These training courses are approved for CAEF credits. For information contact Terri Baker at 805-773-0011, ext 303.



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FACTORING & TECHNOLOGY

JUNE 2019



When Ghosts are Good: Basic Cyber Security Practices

With more than half of all small businesses likely to experience some form of data breach over the course of their existence, learning a few basic cyber security practices is not only useful, it can save time, money, and heartache in the long term. David Rains relates a couple of these hard-earned lessons from his own experience and reflects on why ghosts aren't always so scary.

BY DAVID RAINS

At a time when 55 percent of all small businesses will experience a data breach,* data security is top of mind for most of us. We typically think about external hack attacks first, but we must also remain vigilant for insider breaches that can blindside us. Let me share what happened to my company as a cautionary tale for your business.

SITUATION

An executive vice president of our company, a long-time trusted employee, was untruthful about his work performance. After unsuccessfully working with him for several months to meet company performance standards, he was fired for cause. The second he was fired, his login credentials were terminated.

DISCOVERY

The former employee then began working as a consultant for another firm in Arizona. Soon after, I received a solicitation e-mail to my ghost e-mail address from the former employee under the banner of the new company he'd joined. The ghost e-mail account was a fictional contact embedded in my company's

*https://www.nationwide.com/what-is-cyber-insurance.jsp

database, created to detect data breaches and to quality test e-mail campaigns. On receiving the e-mail, I immediately suspected a database breach and, given the timing, suspected the former employee was either directly responsible for or knowledgeable about the matter.

You can imagine my shock when we later discovered in litigation with the former employee that when we were working to try and help him improve his work performance, he had made an agreement with another ex-employee who had previously done database work for the company and therefore knew how to access our company's data through the SQL back door. By working with this individual, the former employee was able to obtain a copy of the company's database, as well as download and export over 11.000 documents.

RESPONSE

On receiving the ghost e-mail, I immediately called our database hosting company to determine how the breach had occurred, as nothing showed up in our server history. They confirmed that our database was accessed through the company's SQL bench on two occasions, each using the former employee's login credentials. The company had left the SQL socket open because some businesses use it for database management, and we had never specifically asked them to close it since we had started working with them. We sent notice to promptly close the socket and, through litigation efforts, obtained a temporary restraining order against the former employee, prohibiting him (and the new company he'd joined) from using the company's data. Through a several-year legal process, we eventually obtained a permanent injunction and a money judgment in excess of \$450,000.

Only three weeks passed between our discovery of the data breach and obtaining the temporary restraining order, a relatively short time. We were fortunate that our data was used only for one e-mail blast. Upon being notified of the data breach, the Arizona company that our former employee had joined worked with us to rectify the situation. They terminated their relationship with him, pledged to never use our data again, returned all copies of our data to us, and deleted our proprietary information from their system. They also paid for the forensic IT experts to examine their server and assure us our data was no longer in their systems, before settling with us in mediation.

The former employee initially lied about taking and using the company's database when confronted, but evidence gathered by the forensic IT experts and database hosting company led to an examination of his laptop computer, whereupon additional confidential files were subsequently identified and removed.

LESSONS LEARNED

1 Ghosts are good. Insert a ghost e-mail address, a P.O. box mailing address, a social media profile or even a personal phone number that you own and control into your database; this will allow you to quickly know when your data may have been compromised.

2 Look inward. As in factoring, you always must be diligent in detecting bad actors. The same thinking applies even to high-ranking, trusted employees. Limit data access to a need-to-know basis, and find the right balance between convenient, efficient access by employees and privacy.

3 Think ahead. When you have an employee who has performance issues, this is a key time to put additional controls in place. Realize they may already be making or, worse, acting upon plans to exit the company. They may be tempted to steal data to hurt your company or to springboard new opportunities.

(4) **Close the back door.** As finance people, we rely on and trust our tech experts to mitigate risk. Have a frank conversation with them, and ask who has access and how. Now is the time to learn where your entry points are, not just for your database but across your entire organization.

5 Dig deep. Just as large financial institutions and the government hire hackers to try to break into their files to reveal exposures, consider hiring a security firm for penetration testing. The firm may be able to identify hidden vulnerabilities in your organization's networks.

6 **Cover yourself.** A cyber insurance policy can help lessen the sting of the costs you incur in the case of a breach, including legal costs, forensics, security audits, and credit monitoring.

In the end, our former employee was convicted of a third-degree felony and required to pay restitution in addition to the aforementioned civil remedies, but the company went through an expensive, arduous two-year legal process that drained resources and absorbed valuable time in order to get there. I hope sharing our case will help prevent this from happening to others. •

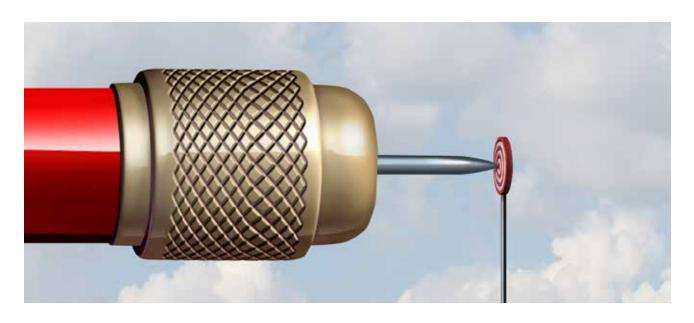


David Rains is the founder and president of Commercial Finance Consultants and FactorHelp. In the past 20 years, CFC

has placed over 14% of the ABL and factoring industry while FactorHelp has been instrumental in helping over 50 startups enter the industry. David may be reached at dar@searchcf.com or at his office at 469-402-4000.

FACTORING & TECHNOLOGY

JUNE 2019



How Smaller Businesses are Impacted by the New Tariffs

As the trade war between the United States and China has heated up, most eyes have been focused on larger companies with extended overseas supply chains. But in many cases, it's the small businesses with slimmer profit margins that have borne the brunt of tariff increases. Gateway Trade Funding's clients continue to express concern about the costs, with many uncertain over their future, especially with a new round of tariffs about to take effect.

BY TOM NOVEMBRINO AND MARK POLINSKY

The Trump administration announced higher tariffs on certain goods imported from China in May 2018. One of the stated objectives was to assist the aluminum and steel industries that had been hit hard by cheaper Chinese imports and facilitate an increase in domestic production.

Bloomberg reported that as a result of the tariffs, U.S. companies paid an additional \$1 billion on technology products in October 2018 compared to the year previous. Not surprisingly, there has been a significant reaction to the increased costs resulting from the tariffs. The primary focus of experts has been the tariffs' impact on larger businesses, such as Caterpillar, Harley Davidson, and more generally the auto industry; however, smaller businesses that account for a significant amount of commercial transactions have also been impacted. It is essential to understand the impact of the tariffs on these smaller businesses.

Gateway Trade Funding provides purchase order funding to small and medium-sized businesses, and we therefore are uniquely positioned to provide insight into the impact of the tariffs from our clients' perspective and the actions they are taking to address the effects of the tariffs.

Our clients typically employ 10 to 40 persons and are responsible for decisions relating to all aspects of their businesses, without the benefit of large departmental experts to take up the slack and provide advice. Our clients' industries range from retail to construction, and they provide home goods, pet supplies, shower products, and plumbing, to name a few, many of which are being hit by the tariffs. Note that none of our clients deal with wholly steel or aluminum goods, but are hit indirectly through parts that play a large part in the goods they manufacture and/or distribute.

One of the most consistent comments from our clients was the lack of notice in regards to timing and costs. The majority of these businesses already had goods on the water when the tariffs were imposed, many of which were being shipped to complete fixed-price purchase orders. Overnight, these companies were hit with a 10% incremental cost that could not be recovered through price increases to their customers. Because goods had to be released from port for shipment, these companies could not take the risk of delay and therefore had to pay the increased price. Many also had a tight gross profit margin, and the unanticipated cost increases resulted in a declination in said margins.

So, how much of the tariff was passed onto the customer? We were expecting to hear that the large retailers would refuse to accept price increases or would perhaps begin working with other suppliers. Surprisingly, the majority of our clients have been strongly supported by their customers due to developing long-term relationships with them, which certainly helps. However, one must not forget that alternative suppliers may be willing to undercut the products' price points to gain market share. As retail has its own issues right now, our clients' customers may find alternative sourcing at reduced price points enticing.

Startup businesses are struggling the most, because typically, they have little negotiating power and desperately need sales to sustain themselves. One startup client admitted that it is actively looking for U.S. vendors to produce its products to avoid the price increases that have had such a devastating effect on its business. Regardless, whether or not our clients can effectuate price hikes, their gross profit margins will be reduced, and overall, as expected, the consumer will take the hit.

All of our clients stated that price points will be reduced should the tariffs be revoked.

Some of our clients actually saw orders increase in preparation for the annual Chinese New Year shut-down, most especially in businesses supplying the construction industry. Contracts could not be delayed, and therefore supplies were ordered well in advance of the Chinese New Year. On the other hand, with respect to apparel and personal goods, stores are still delaying issuance of purchase orders in hope of tariff removal. Currently, managing inventory levels is driving most decision-making. If the tariffs are removed, then gross profit margins of purchased inventory will have declined. If these companies can control the timing of shipments and dictate shipping dates, then all will be fine: however, as most companies will be unable to control shipping timetables, losing an order or a customer is not worth the risk. Concurrently, because of the additional product costs associated with the tariffs, Gateway Trade Funding clients require higher advance rates against customer purchase orders.

Many of our clients have taken steps to secure their products from alternative countries, which has proven to be difficult and expensive. Additional costs included multiple trips to find a supplier who can duplicate the Chinese manufacturers' attention to detail. And since so many competitors are seeking alternative sources of supply, factories have the luxury of closely vetting new customers.

Larger businesses are also attempting to identify alternative supply sources and, when in competition with the smaller firms, are winning this battle hands down. On top of that, larger businesses don't have the need for separate packing requirements when placing larger orders. From the small businessperson's perspective, more effort is being made and higher costs are being realized to develop alternative sources for the production of their product. Establishing these new relationships then eats into profits.

Currently, Indonesia, Vietnam, Cambodia, and Thailand are the go-to locations for alternative supply chains. Many manufacturers in these countries offer less expensive products than China, but will often require longer lead times or will lack the needed skilled labor, which results in quality control issues. Manufacturers in these countries cannot produce at the same speed and quality as China, and numerous clients have noted that although final assembly is being diverted, the source of raw materials is still likely from China anyway, especially in the apparel industry.

To add more concerns, logistic infrastructures in these countries

Continued on page 30





against documents), so their clients can fulfill large orders from creditworthy customers. Tom can be reached by phone at (714) 671-0999 or by email at tom@ gatewaytradefunding.com. Mark can be reached by phone at (847) 612-9817 or by email at mpolinsky@ gatewaytradefunding.com.

LEGAL FACTOR by Steven N. Kurtz, Esq. JUNE 2019

Factoring vs. Trade Payable Financing

Between competitive pressures and sought-after new business opportunities, factoring companies have expanded their product lines and continue to innovate. One expansion product is trade payable financing or, as it's sometimes known, "reverse factoring." This article will compare and contrast factoring and trade payable financing and offer a discussion about what may happen when the two products crash into each other – which is taking place with some regularity.

Trade payable financing focuses on the payable side as opposed to the factor's focus on the accounts receivable side. Instead of purchasing accounts from the factor client, the trade payable financier provides an early payment to vendors in exchange for an agreed-upon discount off of the face amount of the invoice on account of the trade payable obligor.

HOW TRADE PAYABLE FINANCING WORKS

A typical trade payable finance arrangement works as follows: The trade payable obligor purchases goods or services from its various trade vendors. The trade payable vendor then supplies the obligor with said goods or services. The trade payable financier enters into separate transactions with both the vendor and the obligor, offering the vendor an early payment, either immediately or within a few days, in exchange for a discount from the face amount of the vendor's invoice. The documentation between the trade payable financer and vendor is typically fairly simple, focusing on an agreement to take an early payment in exchange for the discount and representations that the goods and/ or services were actually supplied. The obligor subsequently confirms with the financier that:

- 1. The goods or services were rendered in the amount of the invoice;
- 2. Said goods were either not subject to dispute or outlines the dispute; and
- 3. Agrees to pay the trade payment obligation to the financier at the agreed upon time.

The trade payable financier often obtains credit insurance for the obligor. Sometimes there is a "note" executed by the obligor in favor of the financier to evidence the debt, often as an affirmation confirming the trade payable. However, this is not really a "real" note in the traditional sense, because most transactions are done online, often in a virtual portal.

Trade payable financing works best when there is a set ecosystem that matches the parties together, such as load boards in the transportation industry, banks that handle electronic payments for multiple bank customers, or a large consumer of trade credit that has the ability to hire a person to manage the trade payables and provide the vendors with an early payment discount or the agreed-upon payment.



Steven N. Kurtz, Esq. has represented factors, banks, and asset-based lenders on a continuous basis since 1987. He is the co-general counsel to the IFA and a founding partner of Levinson Arshonsky & Kurtz, which has offices in California and Oklahoma. He practices in the areas of commercial law, insolvency, workouts, loan documentation, and trade finance, in both transactions and

litigation matters. He can be reached by phone at 818-382-3434 or by email at skurtz@laklawyers.com.

The biggest perceived advantage to trade payable financing is easier documentation. A person who would otherwise be a factor client but may not be a good credit risk would get the early payment without submitting the cumbersome factoring documentation, without the granting of liens, and without having to issue personal guaranties of the principals.

The trade payable obligors operate as the account debtors in a factoring arrangement. They do not have to deal with redirection notices, are paying invoices that they normally would pay, and are sometimes offered extended payment terms or other consideration to go along with the program. In many cases, the obligors are getting an off-balance sheet loan by extending their trade payment obligations.

The trade payable financing deal, when working right, becomes a win-win for everyone. The vendor gets an early payment, the obligor gets extended payment terms, and the financier earns fees sometimes on both sides of the transaction.

FACTORING ADVANTAGES

Factoring has an easier and more established ecosystem because it has existed for such a long time and has numerous protections built into Article 9 of the UCC, whose provisions specifically address the industry. Furthermore, factoring has a vast and sophisticated marketing system and the consumers are, in many instances, very well educated in the process. Factoring clients, armed with knowledge and choices of competing offers, have taken advantage of the steady downward yield for the factoring rates, while finance brokers make a good living brokering factoring deals and receiving substantial fees in doing so.

By contrast, trade payable financing does not have a vast marketing system, and the players in the

industry spend a great deal of time educating potential users of the product about the business. For the trade payable financiers who do not have a set ecosystem, some of the players have had come up with creative and novel hooks to gather momentum for the business.

COMPARE AND CONTRAST

The knock against factoring is that it

is labor intensive. Even when doing business online, there is still a lot of required documentation, including factoring agreements, guaranties, notices of assignment, bills of sale to factor the accounts. notices that have to go on invoices, and several other forms. People are needed to manage factor clients, review portfolios, deal with credit, apply the payments, manage the software,

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LEGAL FACTOR JUNE 2019

handle the documents, and so on. In short, factoring involves both a lot of people and documents (virtual or paper).

The knock against trade payable financing is that the contracts are very informal and offer less protection. Both sides affirm their various respective obligations, but in order to market the business and obtain clients, the contracts are geared toward simplicity.

A typical trade payable financing arrangement is conducted online, and there is little to no face-toface interaction. Unlike a factoring transaction where the factor can often "kick the tires," there is very little time to do so in trade payable financing, as it would run the risk of dissuading people from engaging in this business because of the bother.

Because things happen so quickly with little documentation. it can sometimes be difficult to enforce a trade payable transaction after a problem occurs. For instance, a trade payable obligor could easily say that there was a latent defect not discovered until later, regardless of whether it had been affirmed in a "click the box" transaction. When this happens, courts may often have a hard time wrestling with the differing version of the facts in such arrangements. Indeed, some of the earlier pioneers in the trade payable financing industry have taken large losses. Moreover, because it is easy to claim a dispute, the backing of the credit insurance will disappear once the insurer learns of a dispute, even bogus ones. The key in trade payable financing is to be in a position to enforce a contractual integration clause, which is the boiler-plate language that states that the contract contains the entire

The trade payable financing deal, when working right, becomes a win-win for everyone. The vendor gets an early payment, the obligor gets extended payment terms, and the financier earns fees — sometimes on both sides of the transaction.

terms and no evidence may be introduced to contradict or explain the plain meaning of the contract.

Invariably, there are several instances where a trade payable financing crashes into factoring, such as when the account debtor has an early payment system built into its account payable model. As mentioned, this is common with load boards in the transportation segment or in large companies with many vendors. The simple solution to this guandary is to deem said debtor an "ineligible account," but nobody really wants to walk away from business. There are also likely instances when the early payment discount, annualized, is less than the factoring discount annualized.

However, as contracts and payment systems become smarter, there is a danger for bigger and more difficult problems to arise, like when the factor client has reached its credit limit, which causes the factor to stop advancing, lower the advance rate, hold the reserve, or take similar corrective measures. The factor client now elects early payment with the account debtor. The account debtor then releases funds to the factor client causing a payment over notice.

Another potential snag occurs when a factor client with a full recourse contract decides to file a Chapter 11 bankruptcy, elect early payment with its customers. and then seek use of cash collateral in the bankruptcy court. The factor client can tell the bankruptcy judge that the full recourse factoring agreement is really a loan and show the court the debtor can survive with its own cash (especially with customers that offer early pay programs). Since the bankruptcy judge's goal is to keep the debtor operating and in business, he or she could allow the debtor to collect on the early pays. Subsequently, the factor is faced with a court potentially allowing the debtor to alter the redirection notices. Since many early pay vendors have their systems in place to only pay one person, the factor is burdened with a debtor potentially collecting all accounts. Unfortunately, this early pay and bankruptcy problem is starting to happen with increasing regularity.

The short answer is that there is room for both trade payable financing and factoring to co-exist. Both have their places, and one will not dominate or eliminate the other. Trade payable financing works best in a set ecosystem, while factoring can exist in virtually any business environment. There are even factors that have trade payable programs and some trade payable financing companies that see the benefits of factoring. As contracts become smarter, trade systems more automated, and programming levels more sophisticated, it may be easier to fix some of the awkwardness that is happening now.



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FACTORING & TECHNOLOGY

JUNE 2019



Talking Technology with Tania Daniel: ENGS Commercial Managing Director Advises Factors to Change With the Times

Factoring may date to ancient times, but the modern world still finds this form of financing useful. However, as with anything else that's lasted for so long, factoring has had to adapt to technological advances. Tania Daniel reflects on her time in the business and offers some advice to factors still trying to figure out the best way to integrate these new methods with an old industry.

BY NADINE BONNER

In the 18th century B.C.E., Hammurabi, King of Babylon, set down the rules of factoring in his famous code. Receiving a cash advance on goods traveling by camel across the desert was the only way to get working capital at the time, and he recognized that only rules and regulations could prevent fraud.

While Hammurabi's rules regulating the business aspects of factoring have withstood the test of time, technology has streamlined the way factors do business and changed the expectations of borrowers looking for capital. Tania Daniel, managing director of ENGS Commercial Finance's factoring division and the newest member of the IFA Advisory Board, points out that factors, like everyone else, have to change with the times and adjust to the world around them.

"The way I've done business personally has changed," she says. "The way I shop has changed. What is it that entices me to click on an ad and buy a product?"

Factors, like everyone else, have to look at the point of view of potential borrowers.

"I think it's really just staying in tune with all of that," Daniel explains. "Seeing what's happening out in the industry, how other people are connecting, and just not being afraid to try something new. We've tried things, and it's not worked, and we've had to go back and say let's change it and try it a different way or let's just not do that again at all."

Like many professionals in the industry, Daniel came into factoring through the side door. She was working for a large auto dealership chain in Florida, and she noticed that many of the vendors were factoring their receivables with LSQ Funding, a local factor. When LSQ Funding needed additional help, one of Daniel's contacts reached out to her.

"From there I got into it, but I didn't really know what it was, and I wasn't looking to be in finance," she admits.

So, what drew her in?

BECOMING RESPECTABLE.

"It was just so exciting," Daniel says. "There was so much to learn, not only about the industry and the ways to do business but also about the clients who are in all different industries doing all sorts of different things. You were just learning something new every day, and I find that exciting."

One of the biggest changes that Daniel has noticed is factoring has become respectable again.

"Twenty years ago, factoring was kind of a dirty word, and you kind of masked what you did a little bit because nobody wanted to factor their receivables. That's just not the case anymore," she says.

Daniel doesn't think that new industries are entering the factoring world, but she sees more specialization by factors. "There are factors who are just dedicated to transportation or just staffing or construction, so there seems to be more specialization in certain industries," she observes.

And of course, there is that technology issue again.

Daniel says that technology has made the industry more efficient.

MAKING FACTORING MORE EFFICIENT

"Things that you used to have to do manually, like sending out statements - we used to have to print them and put them in envelopes and mail them out. Now with the push of a button, they all go out electronically," she says. Underwriting is a challenge to any lender, but the technology provides information on prospects that eliminates some of the risk.

"We have technology now that can tell us if a prospect was arrested last night. We didn't used to have such real time information. So, it's really helped with the risk management side of things," Daniel says.

A few years ago, fintech factors entered the market, enabling borrowers to go online and factor their receivables with a few clicks and receive the money in their bank accounts overnight. Daniel points out that traditional factors have moved in that direction, not in response to fintechs per se, but because customers demanded that convenience.

"Nobody wants to print out an application anymore. Everyone wants to do everything online, sign it electronically, and press a button to submit it. I think you've got to be forward thinking in this industry, and you've got to know not only who your current customer base is but who your future customer base is going to be," she says.

She adds the profile of business owners is changing — becoming younger and more diverse — and factors need to adjust to meet those owners' expectations.

But the biggest piece of the technology pie for factors is marketing, she notes.

"We're doing targeted marketing campaign. We're doing e-mail banner advertising. We're just doing anything we can to get in front of people and then make it easy for them to connect with you once you are in front of them."

While Daniel points out there are seminars and classes on social media factors can attend, the best way to adjust to the new technology is simply by paying attention to the world around them and seeing how people's habits have changed. She adds that this applies to more than technology — winds of change are swirling around tariffs and other tax regulations, and factors have to pay attention and adjust.

"Make sure you're involved," she advises factors. "And that you know how things can affect our industry."

That would have been good advice for merchants loading up their camels in Hammurabi's day.

It's good to know that some things don't change. •



Tania Daniel is the Managing Director of ENGS Commercial Capital, a provider of working capital solutions to companies

in the B2B space. Ms. Daniel has spent the last 20 years in commercial finance and has been instrumental in helping create and growing them into market leaders. Since 2017, Ms. Daniel has grown ENGS Commercial Capital, a subsidiary of ENGS Commercial Finance a Mitsubishi UFJ Lease & effort to a dynamic organization winning industry team, and offices across the nation. Ms. Daniel is an advisory board member for the International Factoring Association, the Commercial Finance Association's Mid-South chapter president, and a frequent factoring and asset-based lending. Secured Lender Magazine's Women She was also recognized by the Birmingham Business Journal as one of the 2017 Women to Watch and as a nominee for CEO of the Year. Ms. Daniel and ENGS Commercial Capital are headquartered in Birmingham, Alabama. Ms. Daniel can be reached at tdaniel@ engscapital.com.

2019 ANNUAL IFA FACTORING CONFERENCE

JUNE 2019



Elliot Eisenberg, Ph.D, gives an enthusiastic and entertaining presentation about the economic and financial outlook of the factoring industry.

IFA Annual Factoring Conference Recap and Upcoming Events Preview

On April 3-5, 2019, attendees from all over the world gathered in San Diego, California, for the 25th Annual IFA Factoring Conference. Along with two full days of educational content and an exhibit hall filled with over 55 companies providing services and resources to the factoring community, attendees socialized at networking events that provided access to some of the highest caliber experts in the industry.

BY HEATHER VILLA

On April 3-5, 2019, attendees from all over the world gathered in San Diego, California, for the 25th Annual IFA Factoring Conference. Along with two full days of educational content and an exhibit hall filled with over 55 companies providing services and resources to the factoring community, attendees socialized at networking events that provided access to some of the highest caliber experts in the industry.

With over 30 different educational sessions to choose from, attendees walked away with insight into the latest industry trends, techniques to run their organizations more effectively, and advice from industry peers' experiences. Countless positive remarks came from attendee evaluations. Glen Shu, president of Bay View Funding, stated, "The IFA conference is my favorite of all industry-related events. It's a great one-stop event to catch up with colleagues, make new contacts, and gain further insight regarding topics affecting our industry today and in the future." The highest-rated speaker at the conference was Elliot Eisenberg, Ph.D., a nationally recognized and published economic expert who delivered an enthusiastic presentation about the current economic and financial outlook and how it could affect factors. Jeff Alexander from Resource Business Partners stated, "Comedic, engaging and he actually got me thinking about the future of the economy and what industries will be good for me to start reaching out to for business in terms of the future outlook for that industry."

The educational sessions were phenomenal, but attendees probably most benefited from the networking events, allowing them to both learn about the industry through the experiences of others and expand their networking circle to gain resources for future business. Multiple targeted receptions, meals, off-site activities, and the closing event at Parq provided countless hours of socializing opportunities. The IFA chapters also hosted networking events specifically for their members and those looking to get involved in those regions.

If you missed the 2019 IFA Factoring Conference, you can purchase MP3 recordings of the speaking sessions in the IFA store. Be sure to also save the date for the 26th Annual IFA Factoring Conference, which will be held April 22-25, 2020, at the Omni Nashville, in Nashville, TN! The IFA is already setting the speaking lineup and organizing new and exciting opportunities to learn and grow your business.

Photos from this year's conference are posted at www.factoringconference.com.

UPCOMING EVENTS

The remainder of 2019 has in store some new and exciting educational opportunities for the factoring industry. Our ever-popular Law and Business of Factoring Training Class and our Account Executive/Loan Officer Training Class will be offered in June. These courses are geared towards those newer to the industry or attendees wanting to refresh their business practices and gain some new "nuggets" to help them grow their business. Attend both classes together and get a discount!

In July, we offer our new Sales & Marketing Training Class. Marketing and selling factoring has changed. The internet and competition from the fintech industry means you can no longer solely rely on "building your referral sources" as a way to grow your business. With new speakers and topics, this training course will delve into modern methods of marketing and selling factoring services and train sales leaders on how to determine the best course of action using today's modern tools alongside their firms' existing capabilities.

The IFA's Annual Transportation Meeting provides a roundtable forum on current industry topics for transportation factors and is always



One of the many networking opportunities at the conference. Pictured (from left): Michael Hilton — Brookridge Funding, Sam Cristee — CIBC, Andrew Coon — CapFlow Funding Group, William Gallagher — CapFlow Funding Group

2019 ANNUAL IFA FACTORING CONFERENCE

JUNE 2019



Attendees gather at the Welcome Reception. Pictured (from left): Chip Wiley — J D Factors, Steve Kurtz, Esq. — Levinson, Arshonsky & Kurtz, LLP, Juliet Nguyen — AmeriFactors

a sold-out event. This is a unique opportunity to share ideas, learn from others, and improve your own strategic planning. The meeting will also feature an exhibit hall with products and services, along with guest speakers, discussion time, and valuable networking opportunities. If you factor transportation receivables, don't miss this event in September!

In October, the IFA will offer three additional training classes, including our popular Successful Transportation Factoring Training Class. This course is dedicated solely to transportation factoring professionals, offering detailed and specific transportation information in a classroom setting. If you purchase transportation paper or are considering doing so, don't miss the opportunity to build and strengthen your transportation factoring knowledge.

Mike Ullman, Esq. (principal, Ullman & Ullman, P.A.), Robyn Barrett (managing member, FSW Funding), and additional speakers will run a Supply Chain Finance Training Class on how to market, price, and operate supply chain finance. Topics covered will include advantages/disadvantages over factoring, target markets, value proposition, solution elements, pricing, insurance, competitive landscape, challenges, legal infrastructure, and how to fund.

Also in October, the IFA will offer a brand-new class titled Strategic Thoughts Training Class: What's Next for Your Factoring Company in Today's Market? Where will the factoring industry be in the next few years, and would you know how to help guide it there? This course will focus on what's in store for the factoring industry and is designed for both the independent and bankowned factor.

In January 2020, the 16th Annual Presidents and Senior Executives Meeting will ring in the new year at the Andaz Costa Rica Resort in Guanacaste, Costa Rica, Presidents and senior executives of factoring organizations have unique needs, such as strategic planning, generating business, legal issues, funding options, and keeping up with the state of the industry. This event is designed to facilitate that discussion specifically for upper-level executives. This meeting is only open to IFA members, and attendees must have a minimum of five years' experience in factoring.

We suggest registering early for these events, as the total number of attendees is limited. CPE, CLE, and CFE credits are available. In between classes and meetings, the IFA also offers numerous online webinars. Check the IFA website at www. factoring.org for a detailed listing of events. •



Heather Villa is managing director of the International Factoring Association. She is responsible for managing and

directing the IFA's external communications as well as mangaing the business affairs of the Association. She assists with event planning, speaker selection, and contract negotiations for all training seminars and conferences, including the annual Factoring Conference. Heather can be reached at 805-773-0011 ext. 301 or at heather@ factoring.org.



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WHAT'S NEW AT IFA JUNE 2019



Why The AFA Goes to Washington

BY PALMER HAMILTON, PARTNER AT JONES WALKER AND CONSULTANT FOR THE AFA

During Congress' consideration of the Dodd-Frank Act, a number of International Factoring Association members became increasingly concerned over Washington policymakers frequently throwing around the term "shadow banking." The term "shadow banking" is obviously ambiguous, and even now it has never really been properly defined, but as used, appeared to encompass credit obtained through non-regulated or lightly-regulated entities. Though factoring does not entail credit, of course, in the sense that factors do not lend money, the Congressional debate lacked refinement in its language. Nobody

could be sure whether the ultimate legislative language might impose a considerable regulatory burden on factoring.

In any event, these IFA members decided to form the American Factoring Association, under the aegis of the IFA, in order to conduct education and lobbying outreach to members of Congress and other policy-makers. This was ten years ago. In the intervening decade, the AFA has had dozens of fly-ins to Washington, D.C., meeting with senators, congressmen, committee chairs, senior bank regulators, and senior officials at the Consumer Financial Protection Bureau (CFPB),

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the Small Business Administration, the Federal Trade Commission, the Treasury Department, and other important agencies. In addition to covering Washington legislation and regulation, the AFA also engages, as needed, in lobbying state legislators on state-level laws that could affect factors, such as the recent California legislation and the regulations currently being drafted to implement said legislation.

In the early years of the AFA, we worked closely with the Treasury Department on a study it was conducting in respect to factoring. I believe Treasury would concur that our input was very important to its understanding of the practical aspects of factoring. We also believe our work helped contribute to the favorable findings of the final product of that study.

Over the years, issues have arisen out of the blue. For example, a few years after the creation of the AFA, the transportation reauthorization bill making its way through Congress contained a provision buried within it that would have substantially hiked the minimum bond amounts for freight brokers. The then-existing bond amount was \$10,000, and the bill would have raised the amount tenfold to \$100,000. Surety providers estimated that over 75% of existing freight brokers would be forced out of business by this increase. The increase was being pushed by some very powerful groups such as the American Trucking Association and would have affected a number of the factors dealing with trucking receivables, particularly the smallest factoring operations. When the affected factors brought the situation to the attention of the AFA, we jumped into the fray. Given the

timing, we weren't able to roll it back to the \$10,000 level, but we were successful in reducing the increase by roughly 30%. Additionally, the original bill included a review and possible increase of the bond amounts every five years. This review process was totally stricken from the final legislation. Having the AFA in Washington meant these small factors had a voice, and that voice was able to help them.

In the last several years, the AFA has been meeting with the senior staff at the CFPB on the CFPB's

implementation of Section 1071 of Dodd-Frank. This section requires lenders to obtain and retain gender, race, and small business data of applicants. In other words, if an applicant calls, even if rejected almost immediately, the reporting company will have to keep track of the gender, race, and company size of the caller, and this information will have to be retained and made available to the CFPB. Obviously, the collection and retention of this information will entail substantial regulatory burden on those covered

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by Section 1071. However, the key word in Section 1071 is "credit." In its meetings with the CFPB staff, the AFA has explained how factoring works and the fact that factors don't extend credit, they purchase receivables. Factors do not look to the creditworthiness of the seller of the receivables, but to the creditworthiness of the account debtor.

The AFA has also been keeping members of Congress apprised of these talks with the CFPB, and

Continued on page 30

2019 Members

Diamond Member (\$10,000+) Accord Financial, Inc. Apex Capital Corp BAMfi, LLC Crestmark Bank D & S Factors Great Plains Transportation Services, Inc. Gulf Coast Business Credit International Factoring Association J D Factors MP Star Financial, Inc. Sallyport Commercial Finance, LLC TBS Factoring Service, LLC

Platinum (\$5,000-\$10,000)

FSW Funding Goodman Capital Finance, a division of Independent Bank Interstate Capital Corporation LSQ Funding Group Mickey Seeman— Owner, Sunbelt Finance Millennium Funding Phoenix Capital Group, LLC PRN Funding Republic Business Credit, LLC United Capital Funding Corp.

Gold (\$2,500-\$5,000)

Advantage Business Capital American Funding Solutions LLC AmeriFactors Financial Group, LLC Assist Financial Services, Inc. Bay View Funding Commercial Finance Group Evergreen Working Capital Far West Capital FirstLine Funding Group Interstate Billing Service Lenders Funding, LLC Match Factors, Inc. Mazon Associates, Inc. Prime Capital Group, Inc. Prosperity Funding, Inc. Rioux Capital SevenOaks Capital Associates, LLC Southwest Commercial Capital, Inc. Transport Factoring, Inc.

Silver (\$1,000-\$2,500)

AGR Financial, LLC Amerisource Funding, Inc. AmeriTrust Capital Corp. **Brookridge Funding Business Finance Corporation** Capital Solutions Bancorp, LLC Cash Flow Resources, LLC **Commercial Business Funding Corp Commercial Finance Consultants** Commission Express National, Inc. Commonwealth Capital, LLC David Jencks–Jencks & Jencks, PC Diana Luoma–Owner, Sekady Capital Factor King, LLC J.O.B.E. Services, Inc. K.W. Receivables Levinson, Arshonsky & Kurtz, LLP QC Capital Solutions Nationwide Capital Funding, Inc. New Century Financial **Orange Commercial Credit**

As of May 20, 2019

Paragon Financial Group Primary Funding Corporation Raffi Azadian—CEO, Change Capital Spectrum Commercial Services Company The Hamilton Group

Bronze (\$500-\$1,000)

ACS Factors Business to Business Capital Corp. Chesapeake Bank Concept Financial Group Entrepreneur Growth Capital **Exchange Capital Corporation** Finance One, Inc. Firmco Business Funding Grace Capital Resources, LLC Integrated Logistics & Associates MarcFunding, LLC Neville Grusd-EVP/COO, Merchant Factors Corp. Sherri DeJong-Vice President, **Great Plains Transportation Services** Terry Keating-President, Accord Financial, Inc. Other (Under \$500) David B. Tatge, PLLC FactoringClub

FactoringClub Hawaii Receivables Management, LLC Kevin Wood— Managing Director, Chesapeake Bank Plus Funding Group Stonebridge Financial Services, Inc. TradeGate Finance, Inc.

WHAT'S NEW AT IFA JUNE 2019



Our Preferred Vendors have undergone a screening and evaluation process. When you contact the Preferred Vendors, you will need to indicate that you are an IFA member to receive your benefit.

If you offer a good or service to the Factoring Industry and are interested in applying for Preferred Vendor Status, please contact the IFA at 805-773-0011.

ASSOCIATIONS

The following trade associations offer member pricing for events attended by IFA members:

Beijing Commercial Factoring Association (BCFA)

Colombian Association of Factoring (CAF)

Commercial Factoring Expertise Committee of China (CFEC) www.cfec.org.cn

Ecuadorian Factoring Association (ASOFACTOR) www.asofactoring.org

FCI www.fci.nl

Romanian Factoring Association (RFA)

www.asociatiadefactoring.ro

BROKER

NEW! Rainstar Capital Group

Rainstar Capital Group is a multi-strategy private equity firm based in Grand Rapids, Michigan that makes direct investments and provides advisory debt capital. Rainstar partners with factoring firms who have clients seeking debt capital products separate from the factoring solution for growth needs. Through its multiple lending platforms with over 250 registered lenders, Rainstar provides factoring firms' clients debt financing product lines for commercial real estate, corporate finance, small business and equipment needs. Product lines include: Unsecured Lines of Credit, Revenue Based Lines of Credit, Revenue Based Advance, Merchant Cash Advance, Business Lines of Credit, Inventory Financing, Purchase Order Financing, Equipment Leasing, Accounts Receivables Factoring, CMBS loans, Agency loans, Bridge Financing, Hard Money and Commercial Contractor Credit Lines. Rainstar's lending platform finances clients from \$10k to \$300M and covers all credit profiles across the listed product lines.

Kurt Nederveld: Kurt@rainstarcapitalgroup.com (616) 953-6036 • ww.rainstarcapitalgroup.com IFA Member Benefit: Rainstar Capital Group will pay your IFA membership dues. Members will pay IFA directly and Rainstar will reimburse member within 30 days of payment. Members will be eligible for membership fee reimbursement if they either:

• Fund a client that was presented by Rainstar during the preceding 12-month period.

 Refer a company to Rainstar that is funded through a Rainstar funding source during the preceding 12-month period.

CERTIFIED MAIL

RMail

Go Paperless. Switch to RMail to send your important notices. RMail services allow factors to end disputes attributed to missing, misplaced or denied receipt of notification emails for notices of assignment, notices of default, borrowing base certificates, and other important notifications. It also helps speed invoice collections with proof of invoice delivery irrefutably starting the accounts receivable aging clock. www.rpost.com/ifa

IFA Member Benefit: IFA Members save \$300! Subscribe to 1000 units RMail plan for only \$390! (Normally \$690)

COLLECTIONS

NEW! VeriCore

VeriCore is the pioneer of ZERO fee collections! A ZERO fee collection takes place when VeriCore compels the debtor to pay for the cost of collection. ZERO fee collections don't happen every time, but many IFA members have already experienced ZERO fee collections over 100 times! VeriCore is a contingent, fully licensed and bonded agency with an A+ rating with the BBB and a strong focus on compliance. Our proprietary process is designed to create constant and methodical pressure on a debtor which compels them to prioritize you at the top of their AP list. We have a national and international presence and we would relish an opportunity to show you how good we truly are.

800-433-4903 x1162

Chris Dawson: chris.dawson@vericore.com www.vericore.com

IFA Member Discount: Contingency rate of 22% or will match the rate of any agency that is fully licensed.

CONSULTING

FactorHelp

FactorHelp has come to be regarded as the factoring industry's premier resource provider. Their manuals, in use on every continent of the world, are setting the industry standard, and their reputation as the one-call solution for factoring problems is growing. By consistently introducing innovative, viable products, vigilantly cultivating an extensive alliance of Strategic Partners and providing the professional expertise demanded of an industry leader, FactorHelp strives to maintain its goal of providing the unparalleled service the factoring industry expects from a solutions partner.

972-722-3700 • www.factorhelp.com IFA Members receive a discount of 10% on their consulting fees and 5% discount on all FactorHelp products in the IFA store.

CREDIT

Ansonia Credit Data

With more than 250 Factors and over \$800 billion in data, Ansonia provides Factors and

ABL lenders an innovative way of managing debtor and fraud risk. Our business credit reports feature current and historical days-to-pay information collected directly from the accounts receivable departments of small and large factors and other companies across all segments.

855-ANSONIA • 855-267-6642 x.103 www.ansoniacreditdata.com IFA Member Benefits: Free VIGILANTETM Portfolio Analysis. Try Ansonia's unique new program for monitoring credit portfolio risk. Call today to receive a comprehensive review of our entire portfolio.

Credit2B

Trusted by all of the majors because of the sheer volume of Factor trade and 98% third-party data coverage of active businesses in North America, Credit2B is a cloud-based platform that empowers accurate and timely decisions by connecting the experiences of trade credit grantors around their common business customers. We combine this highly valuable trade network information of approximately \$700B in recent receivables with live bureau and public filing information to provide comprehensive financial risk profiles, all in real time. Our dashboard also provides Factor specific scoring, Factor client risk pools, monitoring, peer benchmarks and comprehensive trade data pack solutions for integration into your enterprise software.

212-714-4500 • www.credit2b.com IFA Member Benefits: Join the largest virtual factor community. Receive 10% price discounts for being an IFA member. Complimentary invitations to our hosted events in NYC.

FactorsNetwork

FactorsNetwork provides an online platform where Factors share trade experiences with each other. Members are able to pull unlimited Credit Reports as well as monitor and analyze their portfolio. Transportation Factors benefit from our CarrierMonitoring and ChameleonCatcher programs and their clients profit from our LoadBoard. We even offer a Sales Tool to help you find new clients.

435-659-4612

www.factorsnetwork.com

IFA Member Benefits: 50% cost savings for the monthly membership fee. It is normally \$1,000 per month, but IFA members will pay \$500 per month.

CREDIT CARD PROCESSING

ePaymentAmerica

ePaymentAmerica is the nation's leading provider of processing services for the factoring, A/R financing, and P/O financing industries. They offer IFA members exclusive VISA, MasterCard, American Express and Discover pricing, a discount on their virtual gateway, and a discount on PCI Compliance Certifications.

901-385-5327 • www.epaymentamerica.com

factoring_program@epaymentamerica.com IFA Member Benefits: Interchange Plus Pricing* Bundled Monthly Service Fee of \$30.00 (includes IRS regulatory compliance, account maintenance, PCI compliance, virtual gateway & online management tool.) *Based on volume/transaction count.

FUNDING

Liquid Capital Corp.

Liquid Capital has been in the Factoring industry since 1999 and entered into a partnership with Next Edge Capital in 2015. This relationship has allowed them to pursue an aggressive growth strategy focused on the following key initiatives:

• The acquisition of A/R portfolios from Factors looking to exit the industry

Member benefit: Trailer fees for the life of the acquired accounts

 Soliciting Factors to join the Liquid Capital network to gain access to additional capital, a robust range of working capital and trade finance products, extensive marketing and back office support

Member benefit: Liquid will pay your IFA membership or Annual Conference registration fee for the following year.

• ABL referrals from existing Factors who would not normally fund this type of transaction *Member Benefit: The referring Factor will earn an origination fee and have the opportunity to participate in the funding.* Robert Thompson-So • 866-272-3704 www.Liquidcapitalcorp.com rts@liquidcapitalcorp.com

MARKETING

50 Words LLC

50 Words is a marketing outsource firm for companies that either do not have a marketing department or that need to add more manpower to their existing marketing team. They serve as your dedicated marketing department.

610-631-5702 • www.50wordsmarketing.com IFA Member Benefits: IFA Members will receive five free hours of marketing services with the purchase of any marketing service. (Offer for new clients only)

RECRUITMENT AGENCY

Commercial Finance Consultants

Established in 2002, CFC is the premier provider of human talent to the factoring industry. CFC's goal is to provide their clients with the best available human capital and the most current industry information to assist in accomplishing their growth potential.

469-402-4000 • www.searchcf.com dar@searchcf.com

IFA members will receive an additional 60 days added to the guarantee on all placements.

SOFTWARE

NEW! Artis Trade Systems

Artis Trade Systems offers ArtisPay, the revolutionary Supply Chain Finance (SCF) app that allows banks and lenders to provide buyers and suppliers with a flexible, customizable, easyto-use enterprise-grade software. ArtisPay is a fully cloud-based software-as-a-service (SaaS). Partnering with Artis Trade endows lenders with a high-tech innovative partner with deep industry experience that will help market and grow their SCF program.

480-250-8186 • www.artistrade.net IFA Member Benefits: IFA members will receive a 67% discount on the registration fee, to \$500 from \$1,500, a savings of \$1,000.

FactorFox

FactorFox Cirrus is a cloud application for factors, their clients, brokers, lenders, and others who enter or access data. Entries can be made and reports accessed from any internetconnected computer, tablet, or smart phone. As a web-native program, there is no extra cost for setting up your account or to access your data; further, you receive three hours of free training online. FactorFox's various versions make it suitable for nearly any size factor.

866-432-2409 • www.factorfox.com IFA Member Benefits: In addition to the onemonth free trial for everyone, IFA Members receive an additional month to try the complete program.

Finvoice

Finvoice offers traditional factoring companies and asset-based lenders a simple-to-use and comprehensive software solution to help them become a modern and efficient online lender. Finvoice came out of a passion to help small businesses who generate 67% of jobs and 50% of the world's GDP.

Andrew Bertolina

310-951-0596 • www.finvoice.com IFA Member Benefits: Complimentary landing page review/optimization for digital conversion. 15% discount on pricing for the first year.

HubTran

HubTran is the leading provider of back office automation technology for factoring companies. HubTran's SaaS platform streamlines invoice processing, document management, and exception handling. Customers increase productivity 4X, reduce errors and increase capacity. HubTran's innovative technology leverages Optical Character Recognition and Artificial Intelligence to simplify back office work without requiring massive investments of time in training and integration.

Tinamarie Sulpizio 928-855-0170 • www.hubtran.com IFA Member Benefit: 1 week trial and waived setup/integration fees

ProfitStars®

ProfitStars® is an industry-leading provider of portfolio management systems for commercial finance, and offers a common framework for factoring, asset-based lending, inventory finance, and lines of credit. Our dynamic Commercial Lending Center Suite™ incorporates all-digital loan origination, decisioning and portfolio management workflows that save time, improve accuracy and improve the overall borrowing experience.

205-972-8900, option 3 • www.profitstars.com IFA members will receive 10% off new ProfitStars lending solutions product purchase. For IFA members who are currently ProfitStars customers: Free one day FactorSoft refresher course, per year, at ProfitStars' training facility in Birmingham, AL.

TAX COMPLIANCE

Tax Guard

Tax Guard fills a critical gap in a commercial lender's credit risk management toolset with efficient, real-time and actionable insight into the true, non-public IRS tax compliance status of their prospects and clients. Our due diligence reports, tax compliance monitoring and resolution solutions support commercial lenders throughout every stage of the funding life-cycle. 646-502-4478 • www.tax-guard.com Rich Porterfield: rporterfield@tax-guard.com IFA Member Benefits: IFA Members will receive ten free IRS Tax Return Transcripts within the first 30 days of service. One time offer also extended to current IFA members.

UCC SEARCH

First Corporate Solutions

First Corporate Solutions is a full-service public records provider specializing in the research, retrieval, and filing of public records nationwide and internationally. Their services include industry standards such as UCC, lien and litigation searching, UCC and corporate filing services, nationwide registered agent coverage, and real property title searching, as well as unique solutions such as state and county account monitoring designed specifically for Factors. 800-406-1577 • www.ficoso.com

info@ficoso.com

IFA Member Benefits: IFA members will receive a 10% discount off of the retail rates of their signature state and county account monitoring product.

IFA CALENDAR OF EVENTS 2019

June 17 - 18

The Law & Business of Factoring Training Class Planet Hollywood, Las Vegas, NV

June 20-21

Account Executive/Loan Officer Training Class Planet Hollywood, Las Vegas, NV

July 25-26

Sales & Marketing Training Class Planet Hollywood, Las Vegas, NV

September 4-6

2019 Transportation Factoring Meeting The Driskill, Austin, TX

October 17-18

Successful Transportation Factoring Training Class Planet Hollywood, Las Vegas, NV

October 21-22

Supply Chain Finance Training Class Planet Hollywood, Las Vegas, NV

October 24-25

Strategic Thoughts: What's Next for Your Factoring Company in Today's Market? Planet Hollywood, Las Vegas, NV

FACTORING & TECHNOLOGY

JUNE 2019

2019 Commercial Factor Technology Roundtable





Matt Bernstein *Founder & CEO* HubTran



Rosanne Doyle *Vice President* William Stucky & Associates, Inc



Gary Lewis Director of Sales & Lending Solutions Profitstars

1. AI AND ROBOTICS PROCESS AUTOMATION ARE HOT TOPICS. HOW CLOSE IS THE INDUSTRY TO ADOPTION OF THESE TRENDS AND HOW WILL IT AFFECT BOTH SMALL AND LARGE FACTORS?

Matt Bernstein: Robotic process automation (RPA) is well underway in factoring. We work with several factors that have automated multiple steps in their factoring process to reduce the manual work required for routing fundings. At HubTran, we use RPA to help transportation factors verify invoices by automatically retrieving debtor data and comparing it to their client invoice information.

Al is newer and more complicated. Efforts to deploy Al to identify prospective clients, assess credit, and sniff out fraud are early stage but promising. At HubTran, we utilize machine learning, a form of AI, to intelligently read documents and extract relevant information from them. This removes a significant amount of clerical labor and frees up factoring personnel to focus on where they can be most effective — applying judgment and communicating with clients. Interestingly, we also found that this AI-driven process is actually more accurate than human processing.

Rosanne Doyle: Factoring companies have been taking advantage of the technology gains of AI and robotics for some time now as a tool for gaining efficiency at every step in the life cycle of a factoring relationship.

Optical character recognition (OCR) has helped factors revolutionize the way in which customer payments are processed. Long gone are the days of operations staff keying invoices and writing adjustments. The advent, and continued evolution, of OCR allows cumbersome remittance information to be converted to an easily digestible data set that is seamlessly interfaced with a factoring system.

Credit scoring models that support automated customer credit decisions are a tremendous benefit to the factor and a prime example of using analytical AI to improve efficiency and responsiveness.

Gary Lewis: I think the industry as a whole is in the early stages when it comes to adopting AI trends.

Meaningful AI requires a rich data history from which to learn and predict. So, first step is understanding what data points you need captured. Next, you need to locate that data, which is no doubt coming from a variety of sources. That leads to the final and most challenging step: building integration and datasharing relationships between all of those sources. The work required to lay the groundwork for AI is obviously intense, but the payoff for lenders will be tremendous. It will provide for a higher level of risk management and give them the ability to offer more precise products based on current and future needs.

2. SHOULD THE FACTORING INDUSTRY BE CONSIDERING BLOCKCHAIN TECHNOLOGY?

Bernstein: We have yet to see a blockchain solution that's solving a real problem at scale.

The theory is that blockchain mathematically links new entries in a shared ledger so that they are unalterable and viewable by permissioned parties. For example, in transportation this could give factors near real-time visibility to load status or payment histories of prospective debtors.

Unfortunately, getting all the participants to agree about how the network should run and then getting compliance to those rules looks to be just as problematic as one might expect in large, unruly industries. And the mechanics of blockchain networks around security and processing timeliness also pose difficulties.

Blockchain hasn't made inroads in its original market, currency and payments, relative to both old and new intermediaries (e.g., the Fed, banks, Venmo, Stripe). While a lot of smart people are investing in blockchain, we remain bearish.

Doyle: While there is quite a bit of buzz about blockchain technology, we're not seeing it in the day to day processes of the traditional factor or bank lender. We feel the real traction in this technology will be seen as blockchain is vetted by accountants and regulators and deemed a truly secure and stable technology on which to build banking applications. That being said, WSA and others supporting factors, supply chain lenders, and banks are poised to develop solutions that will leverage off the technology. It's moving quickly, and we are looking forward to where this will lead us.

Lewis: Blockchain technology promises greater security for digital transactions, so it's certainly worth watching. At the level of a factoring operation, a wait-and-see approach is in order. This technology will emerge from the fintech industry and be picked up first by the biggest institutions. Once the most reliable, secure, and cost-effective approach takes hold, everyone else will adopt as well.

3. WILL THE MAKE-UP OF THE FACTORING INDUSTRY SHIFT AS TECHNOLOGY BECOMES MORE IMPORTANT? WHAT CAN COMPANIES DO TODAY TO ENSURE THEIR STAFF IS KEEPING THEM AHEAD OF THE CURVE?

Bernstein: The factoring landscape is changing. Tech-enabled alternatives, including MCA and broker quick-pay, minimize the cost and risk of invoice processing, billing, and collections. Larger factors often bundle services like leasing and insurance to drive revenues and increase customer loyalty. Other transportation factors have built freight brokerages to capture market synergies. Traditional pure-play factors that are holding their own are increasingly relying on technology to take out cost, speed up financing, and improve client service.

Doyle: Without reservation, it can be said that all factors, big and small, are focused on improving profitability, client service, and risk through technology. One of the best ways to stay ahead of the curve is through education and an investment in technology that will not only support your business today but will scale to the future. Investment in technology no longer carries the heavy cost of physical machines and computer rooms but is easily accessible and secure with virtual environments. Cloud providers such as Amazon Web Services and Azure can design a solution that will allow the lender access to state-of-the-art infrastructure for a fraction of the cost of older technologies.

Lewis: As technology radically improves the ability to manage factoring relationships and operations, we continue to see lines blurring between unchartered and chartered financial institutions. That trend seems likely to continue. The best way to stay ahead of the curve is to focus on talent acquisition. Continue to attract and hire the next generation into the industry. In addition to being tech-savvy as a group, they bring a fresh perspective to processes and have a generational disdain for anything manual or redundant.

4. TECHNOLOGY CONTINUES TO MOVE AT A RAPID PACE. HOW CAN FACTORS OF ALL SIZES KEEP UP AND LEARN TO UTILIZE TECHNOLOGY EFFICIENTLY?

Bernstein: Tech is a means to an end, not a goal in and of itself. We see three keys for large and small factors to achieve their business goals:

Assess new software as a service (SaaS) offerings, which are making advanced solutions more affordable and configurable.

Ensure integration and interoperability. Even factors that invest heavily in proprietary tech are focused on ensuring their internal systems are integrated as well as connected to external networks and specialized "killer apps."

Don't forget about people, process, and metrics. Lots of companies obtain great tech but don't get the full business benefit from it.

Doyle: Factors are getting smarter about using AI to detect trends in their businesses. Dashboards and analytics are used to proactively address concerns but also to test and take advantage of opportunities for growth within their portfolios or even in new industries and products. Information is easily shared and manipulated to assist in decisionmaking and transaction processing. Using partners to accomplish this is also an attractive option; lockbox providers, trade agencies, and software developers are economical ways to gain knowledge and efficiency through partnership.

Lewis: It all starts with a good technology partner that provides not only the tech stack, but also the training and support needed to be successful. Take full advantage of training seminars offered by your partners. Even seasoned users stand to benefit from refresher training,

Continued on page 28

NEW TARIFFS

Continued from page 11

can struggle in contrast to Chinese infrastructure. Ports cannot cope with the expected increase in freight shipments, and the extended fulfillment time frames increase the cash cycle timeline.

We asked those we spoke with, "What keeps you awake at night?" to which many responded that it is the fear of the unknown. Currently, the U.S. and China are trying to negotiate a trade deal, but with additional tariffs just imposed on Chinese goods at the beginning of May 2019, the future of a deal looks uncertain.

While many of our clients remain optimistic, they cannot sit back and wait to see how the trade imbroglio unfolds, as their businesses are their livelihoods, their dreams, and their family's life machines. If a treaty between the U.S. and China is not consummated and even more tariffs are imposed by both sides, we are aware of some clients that will have no choice but to shut down. And the imposition of, or changes relating to tariffs, can shift quickly and not always for the better.

The reduction in orders and the inability to purchase inventory is affecting workloads and margins and will eventually impact staffing. Some of these businesses cannot sustain their employment levels and may have to make staff reductions. We know that nobody wants to lay off staff, but to a small business, the pain of doing this gets personal, especially in companies with few employees.

While the future in regards to how tariffs will impact small and mediumsized businesses remains unknown, many companies are already adjusting and making hard decisions that can seem to change day-by-day or situation-by-situation. •

AFA UPDATE

Continued from page 23

representatives on both sides of the political aisle have expressed the hope that the CFPB will properly interpret Section 1071 as not being applicable to factoring.

The interplay between the regulatory world and Congress was highlighted during Operation Choke Point, an initiative during the last administration in which the Department of Justice and federal banking regulators pressured banks to cut off certain businesses from banking services, with the FDIC even developing and circulating a list of such businesses. Somehow, the perception arose in certain banks that factoring was among the frowned-upon businesses, with some successful and reputable factors suddenly finding their bank accounts closed or, in some cases, frozen arbitrarily by their banks. The AFA worked closely with the then-Chairman of the House Financial Services Subcommittee, Congressman Blaine Luetkemeyer, to address this very troublesome issue. As a result of Congressional action, bank regulators backed off, and factors are no longer seeing the same abrupt closure of their accounts as they did at the time.

A senior senator once noted, "In Washington, nobody loves an orphan. You need a parent, not just friends." He also noted that having good relations and the confidence of members of Congress is like insurance: you don't need it until you need it, and if you don't have it, don't expect to get help after a loss. This is what the AFA does; it introduces factoring to lawmakers so that, if issues arise that affect factors, those representatives already know what factoring is and the good that it does for American small businesses. •

ROUNDTABLE

Continued from page 27

especially since the technology is constantly evolving. We also recommend periodic optimization reviews of your systems to ensure you are taking full advantage of the capabilities already at your disposal.

5. IN YOUR OPINION, WHAT WILL BE THE NEXT BIG TECHNO-LOGICAL TREND IN FACTORING?

Bernstein: We see factors using tech to reinvent their value proposition – from client convenience and liquidity to client competitiveness and value. Factors that leverage tech to create secure, real-time data sharing with their clients and their debtors will change the game. These factors will reduce risk while providing near instantaneous client funding. More importantly, by transforming into a value-add conduit between the client and debtor, they can position their clients advantageously to help them compete and grow.

Doyle: Improving the client and customer experience through technology. Mobile apps, payment portals, and e-file communications are extremely valuable in today's market. Applications and data schemas are designed, developed, and deployed as multi-currency and scalable to allow factors to "go to where the business is."

Lewis: It appears that AI, RPA, and machine learning are emerging as the next big thing. This will require significant effort from both your technology providers as well as internal processes. Building an accessible data repository from which to learn, predict and manage tendencies will be paramount to remain competitive. •



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Note: Rank excludes banks with high non-loan asset concentrations: Goldman Sachs, Morgan Stanley, BONY, State Street, Charles Schwab. Ranks as of 3/31/2018. Based upon total gross loans and total aggregated domestic deposits for bank holding company. Sources: SNL, FDIC, company reports. Subject to credit approval. Additional terms and conditions apply. Products and services offered by Capital One, N.A., Member FDIC. © 2019 Capital One.

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