

Accounts Receivable FACTORING



COMCLEAN OFFICE CLEANING

Melissa Rivera started ComClean Office Clean in 2010 in Marathon, FL. with herself and just two employees. Some years earlier, Melissa had worked as a teller in a local bank and she had seen the cleaning crews come in after hours. She had also seen their weekly billing for services and thought a commercial cleaning service would be a great company to start based on the explosive growth of business in the Marathon Area. Additionally, she felt she could easily run the business from her home, initially storing necessary cleaning supplies in her garage.

Melissa was very active in several popular civic organizations in the Marathon and Upper Florida Keys area and as the word got out about her commercial cleaning business, she was delightfully surprised to find referrals coming in at a pace she never assumed possible. In fact, within just three months of opening her doors, she was advertising for additional personnel and was on the lookout for some small warehouse / office space where she could have a real storefront.



The Problem: Weekly Payroll

Melissa's husband Peter worked for the local fire department and because of his connections in local government, he was able to get Melissa several attractive cleaning contracts for local government buildings including the library and the Sheriff's office. These new contracts meant that Melissa was going to need at least an additional 12 cleaning crew members and some rather expensive cleaning equipment such as floor scrubbers and polishers. She was also going to need a new full size commercial van.

Melissa and Peter were comfortable financially and could well afford the additional equipment as well as the new vehicle payment. The increased payroll expense, however, would be something else.

All of Melissa's clients would want to be billed at the end of each month. Additionally, all of her clients required 30 day payment terms. She currently paid her staff every two weeks which meant she would need the cash for 3-4 two week payroll cycles before she received payment from her clients. Melissa paid each worker \$10 per hour or \$400 per week. For her total staff of 14 workers, this meant she would require total cash for payroll of as much as \$44,000 before she received the first checks from the new clients.

Peter felt Melissa may have bitten off more than she could chew and suggested she not take on one or two of the new clients. Melissa, however, had a better idea. She had prepared for this day when she worked at the bank, learning more about something called "factoring".

Factoring: Ready Cash for Payroll

The next day Melissa did a Google search for “invoice factors Florida Keys” and pulled up a website for a Florida Keys-based commercial finance consultant named Thomas Ryan, who she immediately called. She explained her good fortune regarding the new clients she was about to bring on as well as her associated payroll problem. Ryan told her not to be concerned and that he had a ready financing solution.

Ryan was a member of the IACFB (International Association of Commercial Finance Brokers) and had access to the association’s database of factors and lenders. He told Melissa it would be very easy to match her with an appropriate factor that specialized in the service sector, which is what she would need, and that she should expect a call from a factor within just an hour or two.

True to his word, Melissa received a call within the hour from a factor’s business development officer. The officer worked for a factoring firm based in Miami which specialized in factoring businesses that provided services, such as Melissa’s, and that he had the exact solution for the payroll problem Melissa was facing.

The business development officer asked Melissa if she had any other bank loans outstanding for her business that might claim her accounts receivable as collateral and she assured him she did not. The only loan she would have, in fact, would be for the new van and that would be personal. With assurance that her receivables could be used as collateral for a factoring arrangement, the business development officer said he would have contracts emailed to her by the end of the day.

As promised, Melissa received her contracts that afternoon which set forth a factoring arrangement of up to \$250,000, which would provide more than enough capital should her business continue to grow. With a factoring fee rate of under 3% per month, the costs of the factoring arrangement were also well below what Melissa had estimated. In fact, they were less than if her clients were to pay her invoices with a credit card. Factoring had definitely saved the day for Melissa, who’s company was now poised to grow exponentially.

Factoring

*The World’s Most Popular Method of B2B
Small Business Finance*

