

NEW YORK CONSTRUCTION NEWS



Factoring Is Becoming A New Source Of Working Capital For Minority-, Women-Owned Businesses

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Many of the thousands of builders who go into business for themselves are able to stay in business only a few years before being overcome by the competition or their own inadequacies.

The problem is that while there are many builders, there are few contractors. A builder is one whose company can place concrete, erect steel, pull wire or perform the functions required to install materials.

A contractor must deal in contacts and the work required to fulfill those agreements. A contractor must have expertise in construction, project management, contract management, and entrepreneurship, as well as marketing, technical capability, and logistics management. A construction contractor must have many and more diverse skills than those required by almost any other industry.

As a result, building construction is one of the highest risk industries. The major risks include:

- The Contract
- The Economy
- Weather, Strikes
- Bid Errors
- Differing Site Conditions
- Change Orders
- The impact of Claims
- Productivity of Personnel
- Availability of Creditable Information
- Availability of Competent Personnel/Laborers
- Potential Bankruptcy of Owner or Subcontractors Who Owe you Money/Services
- The Value System of Others

Some of these risks are preventable; others may be mitigated. All of these risks must be recognized and managed.

Another Financing Source

With the current crisis in the savings and loan industry, financial institutions are being watched closely by the Federal government. Because of this trend, banks have become even more cautious about their commercial lending practices. This situation has caused several problems in the business community.

Therefore, another financing source is needed. That source is factoring.

Factoring, one of the oldest forms of financing in existence today, is not fully understood by most people. Some business people think it is a new form of financing that is only for companies that are in financial trouble. Others think the cost is prohibitive. The facts are that none of these assumptions are correct.

Factoring dates back to the 1600's. The dictionary defines a factor as: "A person who carries on business transactions for another; commission merchant; agent for the sales of goods."

This definition describes the factors in this country who were active from the early 1600's to the middle 1960's. Since 1960, the role of the factor has changed. The factor is no longer a "selling agent." Instead, the factor is a credit and financing source.

Banks, of course, will be the most reluctant source of such needed financing. However, a factor, such as Quantum Corporate Funding, Ltd., would actually be your best source of such needed funding. If you are a minority-owned or woman-owned business, this is especially true.

Factoring is a service. Quantum Corporate Funding, Ltd. offers to large, medium and small contracting and subcontracting firms (which have included mechanical, electrical and plumbing engineers, painting contractors, steel fabricators and sheet metal firms) a way to improve their cash flow.

Unlike a bank, which often requires collateralization with personal and corporate assets, for a loan, factoring only requires a firm's receivables.

For example, if you were a plumber wanting to fund a job that you started and you were owed a single invoice of \$100,000 for work, materials and/or services rendered, the factor, in this case, Quantum

Corporate Funding, Ltd., would advance the \$100,000 that is owed.

In another scenario, an electrical contractor could, for example, do work for a prime contractor for a portion of the completed work. In this instance, the subcontractor will use Quantum Corporate Funding, Ltd. to increase his or her cash flow because the prime contractor usually pays the subcontractor in 30 to 90 days.

During this period, the subcontractor could have used his or her cash flow to fund the job, men and materials. In doing so, the firm can seek new awards for another project or two that will further increase his or her job volume.

Within this process too, there must be an education of the prime contractor. If a prime contractor understands factoring, the prime contractor will come to understand that factoring benefits his or her firm by providing greater temporary financial resources for the subcontractor or minority- or woman-owned business enterprise.

Thus, indirectly, a prime contractor that works with a factor, is actually helping his or her subcontractor obtain the necessary financial resources to properly meet the prime contractor's schedule with such necessities such as manpower or materials.

Consequently, a prime contractor who uses a factor will benefit from the financial strength of his or her subcontractor — and when everyone involved in a project has the financial stability they need, the project can be completed on or before schedule, sometimes saving the owner money which in turn adds to the reputation of the prime contractor. The latter, of course, could translate into new work for the prime contractor.

Now, let's take a look at how factoring works:

- Quantum Corporate Funding, Ltd. purchases your approved commercial accounts receivable at the time the goods are shipped or service is completed.
- Quantum Corporate Funding, Ltd. provides no-cost credit checking on all new and potential customers to help alleviate credit risk. We will even check accounts you don't factor with us.
- Quantum Corporate Funding, Ltd. provides invoice mailing, processing and postage at additional cost.
- Quantum Corporate Funding, Ltd. provides timely aging reports so you know the status of all your accounts.
- Quantum Corporate Funding, Ltd. provides professional accounts receivable bookkeeping and collection services on your factored accounts.
- Quantum Corporate Funding, Ltd. does not require long-term contracts.

Furthermore, when you factor, you don't borrow money, you make no monthly payments, you receive funds in 24 hours or less, you control your cash flow by determining how much to factor and how often, you eliminate mailing expenses and costs associated with collection efforts, you can spend more time directed to business rather than worrying about collection problems.

If you are still not convinced, let's look at who needs factoring: Firms that need factoring are those companies who are: growth-oriented; cannot get adequate bank financing; have tax problems or liens; are in need of additional working capital for any reason; are working through a bankruptcy; have a negative net worth; are young and just getting their business off and running.

If your company meets any of the above criteria, it is important to realize what factoring can do for you. What can factoring do for you? It can improve your cash position, increase your purchasing power, work to improve your credit rating, make it possible to increase production and sales, provide professional credit-check services, and provide complete accounts receivable portfolio maintenance.

Now, the final question you should ask is: How Can Quantum Corporate Funding Work For You?

Quantum Corporate Funding can offer you the most competitive rates available. We can offer financial strength and stability your company can depend on; we offer a variety of programs, each of which is flexible to meet the specific needs of your individual company; and we can offer funding ranging from \$10,000 up to \$1 million per month.

Not convinced yet about how factoring can become a new source of working capital for minority- and women-owned business enterprises? Then call me, Howard Chernin, senior vice president of Quantum Corporate Funding Ltd., 90 Park Avenue, 16th Floor, New York, N.Y. 10016 at (212) 856-9520, and I'll be happy to explain to you again.