



# tip FACTORING

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## To Factor or Not to Factor?

**Marty Milan**

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The purchasing of accounts receivable (invoices) is generally known as factoring. Businesses can sell their invoices to companies known as factors. Although not all businesses are familiar with factoring, historians claim that factoring dates back to the ancient Roman civilization making it one of the world's oldest methods of finance.

In the past, merchants used factoring to settle their trade debts among each other. Fast forward to today's businesses profiles and it is apparent that factoring is still a very viable business tool for businesses all types and sizes. Can factoring work for your business? Consider the following benefits:

- Factoring provides a company with a continuous working capital, thus increasing their cash flow.
- Factoring has no limits, offers quick results and it's accessible as well as flexible.
- Factoring stimulates growth and can finance expansion without debt.
- Factoring can increase production and sales.
- Factoring is not a lending service, rather it is thought of as a discounted purchase.

Factors do not normally charge interest, they simply buy the businesses invoices at a discount and collect a fee. Do not confuse the purchasing of invoices as a loan. Many small to mid-size companies that apply for a bank loan are usually turned down. Banks consider the amount of assets that a business has in order to secure the loan; Therefore, banks normally require a great deal of collateral from a business before they are approved for a loan. If and when a loan is approved, it may only be a small percentage of the businesses total accounts receivable.

Factors are different, they are not subject to the same guidelines and regulations that banks are. Factors look at the credit worthiness of the business's customers, not the credit of the business itself. The purchasing of accounts receivable never creates a debt to the business it simply gives them the opportunity to access their future money immediately.

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About the Author:

Marty Milan works with businesses to help them learn how they can access their future money now. Aside from factoring, you can read on various topics such as Lawsuit Funding, Structured Settlements, Selling Your Notes and more at: [www.cashflowaccess.com](http://www.cashflowaccess.com)