Small Business Factoring Success Story

October 1, 2009 by Jeff Callender

Do you ever wonder what people who are now factors used to do before they became factors? The diversity in backgrounds is fascinating and in this article, small factor Jeff Callender chats with colleague Don D'Ambrosio of Oxygen Funding, Inc…and uncovers some intriguing personal – and national – history.

Jeff Callender: As an author and trainer of small factors, over the past year I have received many phone calls from people presently or formerly working in the mortgage industry who have been considering factoring as a new career.

I realized it would be both interesting and educational to have a conversation with someone once involved in the mortgage industry for many years – and who made the jump. In this interview you'll find his perspective on both worlds, and discover what his life is like now as a smaller factor.

Don, tell us a bit about your personal and work history before you became a small factor and President of Oxygen Funding.

Don D'Ambrosio: I was born and raised in Philadelphia and received my Bachelor of Business Administration degree from Temple University in 1987. I became an accountant and moved to southern California in 1990 to take a position as Corporate Controller with a commercial insurance company.

In 1996 I took the course to become a Diversified Cash Flow Specialist but didn't go into the cash flow business then; however the basic concepts of this industry have always interested me.

From 1996 through 2007 I worked as a Corporate Controller and later divisional Chief Financial Officer of a mortgage company of a large Wall Street firm with over 20,000 employees. In 2007 I left that world to start Oxygen Funding, Inc., my factoring company where I now work full-time.

What exactly were your responsibilities as a Corporate Controller and divisional CFO with the large national firm?

As Corporate Controller and Chief Financial Officer, I was responsible for all financial aspects of the company including, but not limited to, budgeting, forecasting, pro-forma planning, financial statement preparation, cash flow analysis, taxes and external audits with CPA firms and regulatory agencies. I was also responsible for monthly, quarterly and annual presentations to the Chief Executive Officer, Executive Committee, Managing Directors and Senior Management.

How many people did you supervise and what did your day-to-day work entail?

I had approximately thirty people reporting to me. As an executive each day differed. Typically, there were several key reports that I would review on a daily basis including the company's cash position, interim profit and loss, month-to-date production and reports relative to the company's head count, geographic footprint, expenses and pricing of production in the secondary market. I would meet with my managers to analyze what was needed to ensure the company was on target to meet the goals set in the budget.

Did your position there give you a sense of foreboding that something bad was going to happen in the financial world, before it happened? Or were you unable to see it coming?

I saw it coming, absolutely. As a CFO it was almost impossible not to see that things were going from bad to worse. The first real indicator was when newly originated loans started to show an increase in First Payment Defaults. Essentially this is when the borrower fails to make the first payment on his or her loan. As "FPDs" began to increase, the pricing of loans decreased, lowering revenues and profit margins. I could elaborate further but in my judgment this was the "tip of the iceberg". The most difficult part during the early stages was trying to judge whether this was a short term problem that could be corrected or something much worse. Obviously we all now know the answer to that question.

From your perspective, what was behind the "Mortgage Meltdown" and what was your personal experience inside it?
It is fair to say that the recent mortgage crisis had many similar characteristics to the "Dotcom Boom" that occurred in the late 1990's. When companies, investors and consumers all start to make quick money in large quantities, it's a recipe for disaster. The mortgage crisis, however, had a global effect and nearly brought down the world's financial system.
As to my personal experience, let's just say the last few years were challenging to say the least. If you are the person that reports the numbers, which are going from bad to worse to catastrophic, it's not a lot of fun. Losses were mounting, layoffs were numerous and there was no end in sight. Many of our competitors had already shut their doors, morale was at an all time low and the entire feeling was that of impending doom.
You escaped the mortgage crisis personally before it brought down the company you worked for. What led you to move from being a mortgage CFO to a factor?
I always liked the business model of factoring. Unlike the mortgage industry, the factoring industry deals with business to business type transactions. With our factoring clients, we deal directly with the owners of the company. They are very astute about their businesses and know their exact profit margins. After we give them our presentation and explain to them how increasing their cash flow can increase their bottom line, they usually come on board with us.
How is factoring an invoice different from closing a loan?
Getting someone into their first house or helping them refinance an existing mortgage is very gratifying, no question. Unfortunately, when you are an executive in the corporate office, you don't often meet your borrowers in person or even over the phone. The personal contact is what I like. Also, unlike mortgages, factoring is a repetitive business so you really get to know and work with your clients.
So the personal contact with the people you're helping makes a huge difference to you?
It really does. Every business that approaches us for assistance with their cash flow is unique. The underlying need may be the same but the situation varies from client to client. Understanding the client's business, tailoring a program that works for them and witnessing firsthand how Oxygen Funding has helped improve their situation is very gratifying.
Do you find the typical business owner has a better handle on what he or she is getting into with factoring, than the typical consumer trying to obtain a home loan?
It depends. I can make the argument on both sides of that question. Although I was not in sales in my previous position, there were borrowers who knew exactly what they could afford, while others were less adverse to risk. On the factoring side, I have met with CEOs and owners who are very knowledgeable and others who really do not understand what our industry is and how it can help them.
How is the underwriting and decision-making process for accepting or declining a prospective home owner different than it is for a factoring prospect?
When qualifying a home owner you are making an underwriting decision based on the credit worthiness of that person. With a factoring prospect, the decision is weighted highly on the prospect's customers. In many cases you can have a factoring prospect with little or no credit and still qualify them for a credit line since they have strong creditworthy customers.
What skills or insights did you bring from your previous work that have helped you with factoring?
It helps when you understand the numbers. When I meet with a prospect and understand their margins and can explain how Oxygen Funding can increase their bottom line, it is a huge benefit. Also, having the ability to read tax returns and financial statements is a definite plus in assisting our due diligence team.
What have you had to learn that you didn't know as a mortgage professional?
There was definitely a learning curve when I first got into the factoring business. You can read books and go to classes but in the end nothing beats firsthand experience. For starters, to become a recourse factor in the state of California you have to complete a forty-three page application, obtain an insurance bond, get finger printed and have the application signed and notarized. The entire process with the state was definitely a learning experience.
How is your daily work the same and how is it different, as a smaller factor compared to what it was in your mortgage job?
In many ways it is the same since we are evaluating a risk and qualifying a client for financing. How it differs is that I now have an opportunity to interact directly with the client from the time they first submit their application up to the final decision whether it is an approval or denial. I have also learned that owning your own business means that you are always "on call" for the company.
Any advice for people from the mortgage industry thinking about entering factoring?
First, I'll start by saying they are totally different beasts. Much of the factoring industry is relationship based. Start by networking with bankers, CPA's, other factors, factoring brokers and so forth. Second, find industries that you may know that can use factoring. Finally, be patient. It takes time to build relationships and make sales. It's just like planting a garden, some seeds grow quickly while others take some time.
Are there people in the mortgage industry who shouldn't go into factoring? If so, how would you describe them?
I wouldn't say there is a specific trait or characteristic of a person from the mortgage industry who should not go into factoring. I would prefer to say that factoring involves a different skill set. From a sales perspective, you are working with commercial transactions versus consumer loans. Therefore to be successful you will need to understand how to work with business owners and network with people and associations who work with businesses such as bankers, CPAs, the Small Business Administration and local Chambers of Commerce.
Tell us about your factoring company.
The name of my company is Oxygen Funding, Inc. We specialize in dealing with smaller companies, and our typical client has fewer than 10 employees and gross revenues fewer than $5 million per year. We specialize in assisting businesses having invoices $100,000 and below with a minimum of $5,000 total billings per month. We will consider clients that fall outside of these parameters on a case by case basis. We service the entire United States and work with all industries with the exception of medical receivables and certain construction deals.
Your company name Oxygen Funding is unusual; what's the story behind it?
When I was attending Temple University as freshman I remember my Accounting 101 professor telling the class, "As important the profit and loss statement is to a company, positive cash flow is the oxygen all companies need to survive."
I never forgot that statement. As I started my factoring company and knew we would be in the business of providing steady cash flow for all our clients, the name Oxygen Funding seemed like a perfect fit. Now, as my professor would say, we provide the positive cash flow – the oxygen –our clients need to survive.

Why do you prefer smaller clients?
The first book I read about this industry was your book, **Factoring Small Receivables**. The more I read it, the more I agreed with the concept and benefits of being a factor of smaller receivables, rather than just larger ones. Besides the obvious risks involved in purchasing larger deals, we like the fact that we really get to know our clients.
Larger factors sometimes say factoring smaller clients involves more work for less income. Do you find factoring several small clients to be more labor-intensive than funding larger ones?
If you have good factoring software and conscientious employees, it makes the job a lot easier. I would highly recommend any factor use good factoring software. It can make or break your business. We use FactorFox software and are quite happy with it.
So how is business at Oxygen Funding?
Absolutely fantastic. We have exceeded our financial projections and continue to grow sales every month. Most importantly, we have fantastic clients that make our job a pleasure.
You put a lot of emphasis on your clients.
From day one with each client, our mission is to provide customer service that is second to none. We realize there is a lot of competition and pricing can only go so far. Compared to just a few years ago, the factoring industry has expanded greatly. We want to be considered to be the best at what we do.
Any parting thoughts?
This may sound overly simplistic, but in my humble opinion customer service is everything. Our mission statement is, “Providing our clients with customer service that is second to none.” We take pride in that statement and work every day to ensure that we meet and exceed our clients’ expectations. In today’s world it is accepted that quality customer service is the exception rather than the norm. You would be amazed how far a little extra attention to detail and courtesy goes.

Don D’Ambrosio is President and CEO of Oxygen Funding, Inc. in Lake Forest, California. Don can be reached by phone at 800 790-3419 or by email at don.dambrosio@oxygenfunding.com.
Jeff Callender is President of Dash Point Financial Services, Inc. in Tacoma, Washington. He can be reached by email at jeff@dashpointfinancial.com. Jeff has specialized in factoring very small businesses for many years and is the author of numerous books about factoring. His ebook **How I Run My One Person Factoring Business** is the number one online bestseller at the Factoring Investor bookstore.