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## Factoring Invoices – Waking a Small Sleeping Giant

November 19, 2010 by Don D'Ambrosio

### Wake Up

Not too long ago, the factoring industry was looked upon as a financing alternative for large commercial enterprises, such as the garment and transportation industries, as a way to increase their cash flow and sustain and grow their market share. Of course there were other niche industries that also utilized the services of factors but the industry was dominated by large factors doing large deals.

But wait, how about all of those smaller invoices that larger factors did not find appealing since the fees could not justify the costs?

Remember, an invoice of \$5,000 would typically generate a discount fee somewhere between \$150 and \$200 dollars, based on a 30 day cycle. For larger **factoring companies**, these amounts could not cover overhead costs to underwrite and fund these invoices.

As the English proverb states, "Where there's a will, there's a way." Enter the **small factoring company**. Typically, this brand of factor prefers smaller invoices and usually works with companies having revenues below 1 million per year.

The popularity of this niche factoring group has shown amazing growth over the last few years. The current financial crisis created an enormous opportunity for smaller companies in desperate need of working capital.

However, for those new to the factoring industry, growth can be a painful process. Since there is very little, if any, barrier to entry in the asset based lending world, many new companies are unaware of the pitfalls and risk associated with funding invoices.

Often, I get calls from friends and acquaintances asking me about my factoring company and how they can get started in the factoring industry as well. Usually they have some capital raised from private sources and they see the returns factoring companies get on their funded deals. Usually I ask the first and most important question, "What happens when your invoices don't pay?" Then I will follow-up with additional inquiries regarding recourse vs. non-recourse, legal documents, verification, software, marketing, etc. My intent is not to frighten anyone from entering this industry but rather educate. More often than not, the person on the other end of the phone thanks me for giving them my views on the good and the bad of invoice factoring.

Yes, an opportunity is available for small factors to thrive in a market where alternative financing is needed due to the current economic climate. Be diligent, be professional but most important, be PROFITABLE.



Don D'Ambrosio is President and CEO of Oxygen Funding, Inc. located in Lake Forest, California. Don's company specializes in factoring small invoices for businesses and more information can be found at his company's website, [www.oxygenfunding.com](http://www.oxygenfunding.com). Don can also be reached directly by phone at 800-790-3419 or email at [don.dambrosio@oxygenfunding.com](mailto:don.dambrosio@oxygenfunding.com)

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