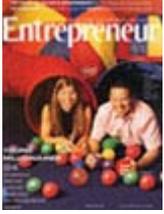


# Pass the Bill

**Cash in on your unpaid invoices.**

By Rosalind Resnick

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**Question:** I just started a hospital staffing company and am already landing some major accounts. However, the hospitals take 45 to 60 days to pay our bills, and we need to pay our nurses every week. The bank turned us down for a loan because they said our business is too new. What should I do?

**Answer:** This situation is common among startups that have to pay suppliers or buy materials before getting paid by customers. One solution is factoring. Factoring allows you to sell your invoices (accounts receivable) to a commercial finance company for immediate cash. Typically, a factor releases 75 percent to 80 percent of the face value of an invoice within 24 hours after verifying that the customer intends to pay your bill. Then it sends you the rest, minus a 2 percent to 3 percent monthly discount, when it collects the money. For example, if you were to factor \$20,000 a month in receivables, the factor would give you \$16,000 upfront, then send you the remaining \$4,000 minus a \$600 discount after collecting the money.

Factoring works for startups because, unlike banks, factors don't care about your company's credit—they look at the strength of your customers' balance sheets. Jeff Callender, factoring expert and president of Dash Point Financial Services Inc. in Federal Way, Washington, says you must typically generate at least 20 percent gross profits for factoring to make sense. Although many factors won't work with businesses that factor less than \$50,000 a month in receivables, Callender says his sweet spot is businesses that factor as little as \$10,000 a month but have growth potential. He also says smaller factors typically charge a 5 percent to 7 percent discount rate because they're working with smaller volumes.

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