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Receive Order

The **supplier** receives an order for merchandise from one of its retailers (or a wholesaler)

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Extend Credit

The Supplier:

- Checks the factor's online system to see if there is a pre-approved line of credit for that retailer
- Submits the order to the factor for approval

The Factor:

- The factor's on-line system automatically reviews the credit standing of that retailer and responds almost instantly with an approval, a decline, or it assigns the pending request to a credit analyst for review

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Provide Credit Protection

The **factor** provides credit protection on all approved sales

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Sell Invoice

The Supplier:

- Ships goods to retailer
- Sells and assigns the invoice, at full value, to the factor electronically via EDI
- Sends an original invoice to the retailer, usually with a note indicating "payable to factor"

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Post Receivable

The Factor:

- Receives the invoice data and posts the receivable on its books
- Maintains retailer payment history
- Maintains accounts receivable records

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Provide Financing

The Factor:

- May provide cash advances to the supplier on the receivables prior to collection to support the supplier's working capital needs
- Alternatively, if the supplier does not want or need cash prior to collection, the factor remits payment to the supplier upon collection of the invoice

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Collect Receivables

The Factor:

- Receives retailer payments and remittance advice. Larger retailers submit payments to the factor electronically via EDI or ACH. Other retailers mail payments to the factor's automated lockbox
- The factor's automated system quickly and efficiently performs cash application. It also identifies shortages and/or retailer adjustments to payments
- Records detailed transaction information and sends that information to the supplier electronically
- Professionally follows up on overdue payments

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Remit Collected Funds

The Factor:

- Credits the supplier's account for payments received
- Pays the supplier on approved, uncollected receivables if the retailer is financially unable to pay
- Applies funds toward advances provided to the supplier, if applicable
- Forwards remaining balance to supplier via wire transfer

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Financial Reporting

The Factor:

- Provides detailed records of transactions for convenient supplier online access
- Compiles and forwards dispute and deduction information to supplier
- Maintains online record of transactions for 12 months

The Supplier:

- Reviews monthly statement of transactions and makes end of monthly journal entries for factoring fee and interest expense as applicable
- May customize and print various reports via the factor's online reporting program. These reports include receivable, payment, deduction and open invoice dispute summaries