

A PUBLICATION OF THE INTERNATIONAL FACTORING ASSOCIATION

COMMERCIAL FACTOR

Winter 2010 • VOL 12/ No. 1

DEBTOR QUALITY TRENDS



ALSO INSIDE:

Is Your Risk Profile Profitable?

Factoring Construction Deals

What Factor Clients Have to Say

Debtor Credit: Important Now More Than Ever

Q&A with Bob Adair

President, Construction EcoServices



In the business of storm water testing and management, Bob Adair has worked with Jim DiCamillo and the team at RMP Capital Corp for more than two years. IFA caught up with him at his Houston office to get the back story on why his 45-person company, founded in 2002, uses factoring.



IFA: Why did you choose factoring vs. other types of financing?

BA: There is always a connotation with construction that you're a high-risk borrower. We investigated asset based lending and connected with the folks at RMP as a result of our frustration with the banking world. In our experience, banks aren't willing to work with small businesses that actually grow. They're thrilled if you can draw down on your line of credit and pay it back in 30 days. But what happens if the volume of your receivables increases from month to month because you're growing? They don't know what to do. I've sat down with a bank and said, our growth is ahead of schedule; we need to bump up our \$1 million line of credit after four months instead of a year. And I heard, 'We like to look at those things once a year.' That's not going to help us.

IFA: How did you choose RMP Capital?

BA: After our experience with a series of banks over the first few years of our business, we started looking for alternatives – very carefully, because we were moving out in unknown territory. Our mind was eased by one of our largest vendors, an East Coast \$150 million

company. The guy who founded that business told me he used an asset based lender for his first 10 years in business. We started researching on the Internet and making calls. From our first conversation with Walter at RMP, we hit it off. They came down and visited with us. We're very relationship driven. And the people are outstanding and the service we've gotten is light years away from what we've ever gotten from a bank.

IFA: What's important to you when selecting a factoring company?

BA: Really we had to feel comfortable that these were folks that would do what they said they'd do. To the extent that our receivables supported it, that they were willing to bump the line of credit as often as we needed it. Given that their business is 100 percent focused on doing exactly that, it was easier to feel comfortable that they'd live up to what they promised.

IFA: What's most important to you in the relationship?

BA: Many of the companies we talked to were construction oriented factoring companies. RMP has a piece of their business in that area, but they also have a huge portfolio of consulting

companies that they work with. To us, that meant they have a good sense of how business flows for consulting companies. Our business is a combination of consulting and construction support. We're not a company that has a few invoices a month – we work with hundreds of companies, and generate hundreds of invoices. They know how to do that business.

IFA: How did the factor assist you?

BA: It was like having a thousand pound weight off of our backs! We now have the funds we need to support our growth and do our business.

IFA: Has the relationship been a good one?

BA: The relationship has matured over time. In the early days, there was a level of oversight that we struggled against a bit. The good news about developing a relationship is that as they've become comfortable with your client base, they relax that level of oversight.

IFA: By increasing your cash flow, did you accomplish your goals (growth, survive, etc)?

BA: Absolutely. And the process has also helped us manage our receivables far better. In the first year we really tightened up on how we deal with receivables. Since they ultimately belong to us, it behooves us to make sure they're collected. That's been a real benefit -- it was an area in which we were operating too loosely.

IFA: Would you recommend factoring to other companies in your situation?

BA: We have recommended RMP many times – to anybody who wants to listen. There's a premium to be paid for the service that asset based lenders provide, but frankly it's not that much more than a bank charges. The benefit more than compensates for the cost. •