

## The Seven Must-Haves for Lenders

### There's More Than One Way to Provide Funds for Your Customers

*As more and more businesses struggle due to a lack of capital, it's time for lenders to look at other options to support these companies and, most likely, current clients. Hartsko Financial Services' Richard Eitelberg suggests looking at ways to work with purchase order finance companies, and provides seven good reasons why you should be considering this option.*

*By Richard Eitelberg*

**B**anks, brokers and factors are in a somewhat awkward situation in today's economy. Hands are tied to industry guidelines from distributing loans to businesses, distributors and manufacturers that were once in a position to receive support from you. While this appears grim to many, it is merely a reason to just shift your mindset into a new opportunity for your business.

#### Lenders — I Want to Talk to You

When it comes to mindset, let me start with this. As you know, many businesses and entrepreneurs are struggling, feeling defeated, and/or holding back from dreams out of pure fear derived from lack of capital.

The number of your clients in trouble is increasing. Over the years, they have come to know and respect you and vice versa. You want to help, yet your hands are tied. In order for you to follow protocol and maintain "good business" for your establishment you must turn them away. Meanwhile, many of these people (human capital) have valued you personally for years. These people are qualified to make things work and you know it. Or, they just need a note or minor lift outside your working parameters and leave you feeling horrible because you just can't do it.

Now for the mind shift: You *can* do it! You can be of service and you can be the champion your business is in business to be. Your years of experience and education *will* pay off.

#### The Answer?

Let's not fool each other; you know what I am going to say. By now, you also know that I am right to say it. The advantages of aligning with a reputable purchase order (PO) financier are big. By doing so, you maximize your financial deals while minimizing your risks. Here is why...

- PO finance requires a third party take-out by a bank, a factor or a letter of credit. Startups literally start with strength that you otherwise might not be able to offer on your own.
- PO financing is more aggressive than traditional banks and rates are at a higher advance.

- Since deal closing times vary from provider to provider, customers should always ask for timeline evidence when looking for a PO financier. Funds are often distributed as quickly as 48 hours once approved.
- This establishes new sources for lenders and ability to serve your clients. PO financiers make it possible for growth without capital, so that the client can then use credit lines to assist with future growth. Bottom Line: We grant working capital access without sacrificing equity.
- You're "the hero" for current clients who will now be able to increase their growth potential. When lenders have customers they cannot fund, instead of losing the client, they refer them to us and we jointly service their business needs. Everyone wins, including the customer.

However, it is important to choose wisely. Here are some things to look for when affiliating with a PO financier:

- A good working relationship: Look for dependability, ease of communication, timely funding (no more than ten days) and successful history.
- Match the client industry to the PO financier you use. PO financiers have expertise in varied areas. While choosing, ask what industries they typically finance. Example: The majority of the companies Hartsko Financial Services serves are importers, exporters, distributors and manufacturers. Note: Dealing with exporters is a niche not all financiers have.
- Align with a PO financier that has, and gives you the advantage of, its strength, flexibility and transaction management expertise.

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#### The Seven Must-Haves

While these are all positive turns, I challenge you to think deeper. All this isn't so just because I say it is. There are many aspects to stay aware of

when affiliating with other lenders in dealing with all aspects of a customer's transaction. The top seven reasons why are:

- 1. Insufficient Capital:** If your client has solid sales orders but lacks the working capital to complete the transaction or continue to grow, a reputable financier might be your ideal solution.
- 2. International Expertise:** Established and reputable PO financiers with developed expertise and experience can structure import or export transactions.
- 3. Reduction of Foreign Risk:** Client companies benefit from transferring the payment by the foreign buyer.
- 4. Preservation of Equity:** Fast-growing companies often have limited options for securing working capital. Find financiers that provide the capital you need and take no equity or ownership interest in your company.
- 5. Speed of Funding:** Clients need a quick response so they can keep their sales. Financiers should conduct a rapid due diligence and review the details of the transaction.
- 6. Increase Profits:** Deal with financiers that will increase your negotiating power so you may realize more profits by saving on costs by getting increased supplier credit.
- 7. Protection of Identity:** Many clients need transactions secured in such a way that the manufacturer and end-customer do not become acquainted. For these transactions, the end-buyer issues a letter of credit to our client, and the PO financier issues a letter of credit to the manufacturer.

## **PO financing lenders do not require collateral from your clients. Since banks and general factors do ... you'll miss the boat if you are an unaffiliated lender.**

### **You Can Create What Matters**

Because of your PO financing affiliation, your clients will keep thriving and so will you. PO financing lenders do not require collateral from your clients. Since banks and general factors do, this is why you'll miss the boat if you are an unaffiliated lender. Here are more reasons why:

- PO financing provides transactions based on future sales without collateral. Inventory factors finance work-in-process (WIP) as well as finished goods. Because of this, firms finance transactions like this: We buy finished product from our client's supplier and ship to the client's customer without our client processing anything. We start with orders in hand, and it's the collateral value of the goods that is actually financed.
- Banks can build credit history on firms and obtain opportunity for additional lending (e.g., for fixed assets). You will also be privy to accounts receivable, company's cash and inventory information. Lenders can cross-sell additional products. Consider credit cards, automotive financing, etc.
- Banks have opportunity for an extensive customer base and a diversified list of industries to further develop relationships and revenue.

Our leadership and experience has guided the clients of many leading lender companies through their short-term challenges. This is a way that lenders have gained the advantage of our strength, flexibility and aptitude in transaction management. For your success and the benefit you bring to your client, be sure the PO financier you align with offers you the same.

Find out the process of the PO financier you are considering. Venders vary. This will also let you know how involved you need to be. Here is an example of how we work.

### **Hartsko Purchase Order Transaction Flow**

- 1.** Client obtains purchase order from customer
- 2.** Hartsko supports by issuing L/C to client's vendor or by cash payment
- 3.** Vendor produces and ships goods
- 4.** Goods are delivered to the customer
- 5.** A/R lender advances a percent of receivable to take out PO financier costs and fees

PO financiers make it possible for clients without capital to build companies from napkin scribbles to reality. They can then use financiers' credit lines to assist with future growth.

You can use these facts as your guide to explain to the clients you see who have that glazed-over look in their eyes. We are numbers people, yet many of your clients comprehend in a different way. Keep it simple and to the point. [abfi](#)

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