
Invoice Factoring An Alternative to Traditional Business Loans

Contributed by Webmaster

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Are you a business owner looking for an easy and viable way to finance your business? If you've tried to apply for bank business loan, you may have discovered that the process can be timely and complicated.

Completing the process for a business loan may take as long as 3 months, provided that you have all the necessary documents required by your bank. But there is an alternative for this traditional means of business financing.

Accounts Receivables Factoring Financing Business More Easily

Are you an owner of a business that has been in operations for at least two years or more? Do you regularly receive purchase orders from customers and other merchants? Are you in need of additional budget to use as working capital? If your answer is yes to these questions, then invoice factoring or account receivables factoring is definitely worth the choice.

What is invoice factoring and why is it worth trying? Many businesses give their customers from 30 to 60 days to complete their repayments. As a result, the profit or income that you already have are frozen or tied up in those unpaid invoices. Until your customers have completed their payments, you are left without sufficient cash on hand. This could be a big problem especially if you have incoming orders that needs to be delivered.

By factoring invoices, a business can immediately free up those frozen funds and get cash right when you need it. How does it work? Many companies today offer account receivables financing services for small businesses and large businesses alike.

Factoring companies allow business to take out a cash advance by submitting their unpaid invoices. In turn, the invoice factoring company would take over the collect of payments for these invoices.

The average cash advance provided by most factoring companies is 80% of the total amount of the invoices submitted. Other factoring services may offer a lower cash advance rate of 60% while others may offer up to 80% cash advance.

The remaining balance from the invoices would be given after your customers have completed their repayment with your factoring company. With this in mind, you should factor invoices only from your most reliable customers. This way, the risk of payment defaults and loss can be avoided.

Certainly, accounts receivables factoring is a method of business funding that any business owner can use to his advantage. Explore the market and compare factoring companies in order to find the one that offers the best invoice factoring services.

Irish Taylor is a bussiness loan consultant with SBA Loans for Startup Business and has been providing consumers and business owners with startup business financing since 1992. For years she has helped people with credit and loan problems especially pertaining to business start up, SBA Loansand Unsecured Loans. Copyright 2008