

Title:

Why Is Invoice Factoring Financing Better Than A Business Loan

Word Count:

353

Summary:

Do you need a business financing? Need something that is better than a business loan? Read this article to learn about invoice factoring.

Keywords:

factoring, invoice factoring, factoring company, receivable factoring, purchase order financing

Article Body:

Are you looking for a business loan? Many business owners who need financing start their financing search by looking for a business loan or a business line of credit. Although business loans and lines of credit are well known products, they are very hard to get. And in reality, few business owners actually manage to get them.

In certain instances, invoice factoring may be a better and easier to obtain alternative. There are three conditions that can determine whether factoring is a better alternative than a business loan:

1. Are your clients' slow payments hurting you? Do they take up to 60 days to pay?
2. Are you turning away bigger sales because you lack working capital?
3. With the right financing, does your business have significant growth potential?

If you answered yes to these questions, then chances are that factoring your invoices will be better for you than more traditional business financing products. Invoice factoring provides you with financing based on your invoices, eliminating slow payment cycles and providing you with money to pay rent, meet payroll and expand your business.

Since factoring is tied to your sales potential, it does not have the arbitrary use limits that business loans have. The more your business grows, the more financing you qualify for. Period. This makes it an ideal product for businesses that have significant growth potential.

Factoring (or receivable factoring as it is also known) is easy to use. Once you have invoiced your customers you send a copy of the invoice to the factoring company. The factoring company, in turn, advances you up to 90% of your invoice and waits to be paid by your client. Once your client pays the invoice, the transaction is settled.

In effect, by financing your invoices you eliminate the slow payment problem. You accelerate your cash flow, enabling you to pay your obligations, take new opportunities and grow your company.

In terms of cost, factoring is a very competitive product. Factoring fees range from 1.5% to 3% per month, making it an affordable product. If you own a business that is growing and you need financing, be sure to consider invoice factoring.