

## **CASE STUDY GOVERNMENT RECEIVABLES? ANY DAY ...**

When we met with the owner of a New York based plastics company we looked at his asset based line – which was really just a factoring line as it offered nothing for his inventory and/or machinery - and found that it only made available about 60% of what we thought it should. When we asked why the advance was so low he said, “They won’t give me any credit for the government receivables.”

We’d all like to think that our federal government’s credit is good but there is somewhat of a reason: If something goes amiss collecting on government receivables could be a nightmare. On the other hand if everything is in good order to us they are gold!

That said we took the company’s credit line from about \$550,000 up over \$800,000 of availability and had a relationship with the company for some four years.

With all going well disaster struck when a local river flooded the factory nearly shutting them down. As the waters subsided a week of shipping didn’t happen but based on the history and the relationship of the company with our people the owner showed us how he could make up the orders and we funded his payroll not once but twice before product actually shipped.

When we say that factoring is a relationship: We mean it! In follow up: It was a struggle to get back on his feet but he did it and continued on.

That said: Will your funder go “over and above” when the floods set in?