

Purchase Order Funding versus Invoice Factoring

Invoice factoring from Paragon is both a cost effective and relatively simple process. Your credit worthy client receives the product, Paragon verifies a few important facts including your customer's happiness with the quality, quantity and timeliness of your product (documentation requirements are also confirmed). You are advanced 80% or so of the invoice amount now and in the future receive the 20% balance less the factoring fee when your client pays Paragon.

For .9-1.9% per 30-days, you typically receive AR management, unlimited working capital, a free credit department, and credit protection (!) through Paragon's Non-Recourse Invoice Factoring Program. Pricing from Paragon depends on monthly volume, dilution, credit quality, ease of verification and a few other risk factors.

What if you don't have the money to buy the goods and need Purchase Order Financing or a Vendor Guarantee? PO Funding is where you need Paragon to buy the goods for you (Cash against Documents (CAD) or a via a Letter of Credit) or you need to use Paragon's credit worthiness for your vendor to release the goods and be paid from the Factoring proceeds (a Vendor Guarantee).

Remember, you can have Invoice Factoring without PO Funding, but you cannot have Purchase Order Financing without Invoice Factoring.

Vendor Guarantee is the cheapest because it is the less risky for you and Paragon. Paragon contracts with your vendor to pass enough of the factoring proceeds on to them to cover the vendor's invoice to you. Thus a Vendor or Supplier Guarantee is a onetime cost of just .5-1.0% of the cost of goods, not of the invoice amount in an invoice factoring transaction.

Cash against Doc's or Documentary Collections can be FOB China or FOB US. Of course, FOB China is higher risk than FOB US and the money is out longer. Cash Against Doc's cost can be 1.5% FOB US to 2.5% FOB China. There is also the real risk of your vendor not meeting quality, quantity and timeliness issues. In addition, unlike Invoice Factoring, PO Funding has the risk of product rejection by the account debtor (your client).

Even though some of your clients will pay quicker and a very few before receipt, you still need Paragon to buy the goods for you pre-debtor (your client's) approval. This is much riskier and more costly than just factoring. However, it is based on what we have to pay to your vendor, not the invoice amount. Also, the higher your company's deposit to the vendor, the less the total fee.

Note: Your goal should be to get your vendor(s) comfortable enough with you to take a Vendor Guarantee as your costs will then be reduced significantly.

What is needed to get started? A Simple One-Page Application!

For 25+ years, Paragon Financial Group has provided working capital solutions for growing and non or under-bankable companies throughout the United States.

For fast funding or more information, please contact Chris Curtin at chris@ParagonFinancial.net or toll-free (800) 897-5431 ext 1.

