

International Association of Commercial Finance Brokers

UNDERSTANDING FACTORING COMMISSIONS

Factoring has long been known by industry brokers as “The Jewel” of the Commercial Finance Industry due to its rather unique method of residual life-of-account Broker Compensation. Unlike asset-based lending, the referral of a factoring client to a factor will result in the referring broker earning a commission check each and every month while the client is on the factor’s books. An example follows.

Through his / her normal marketing efforts, a broker locates a janitorial services client wishing to finance its business with factoring. The janitorial service invoices approximately \$25,000 per week (\$100,000 per month) for services and the customers of the janitorial service pay on average in 45 days. The factor charges .9% for each ten days the invoices are outstanding or portion thereof (nine-tenths percent). Calculate the factoring fees and commission to the broker.

Factoring Fees: .9% for each 10 day period or portion thereof
Invoices Balance: \$150,000 per month (\$100,000 in 30 day billings plus \$100,000 in 15 day billings for a total of 45 days outstanding)

Fee Rate: Day 1-10 = .9 or \$1,350
Day 11-20 = .9 or \$1,350
Day 21-30 = .9 or \$1,350

Total Fees Earned \$4,050 for 30 day period.

The referring broker is paid a minimum of 10% of the Factoring Fees earned under the Aegis Factors’ Compensation GRID or \$405 per month. Multiply that monthly commission by 12 months and the broker’s compensation for this single referred account is \$4,860 or nearly \$5,000 per year....FOR A SINGLE ACCOUNT! How many similar accounts must you refer to build your earnings to \$50,000, \$75,000, \$100,000 per year or even more?

You now begin to understand why for Commercial Finance Consultants, factoring is affectionately known as the “Jewel of the Industry”.

