

PRESS RELEASE



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Merchants Look to Alternative Loan Source

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Rapidly advancing technology combined with the changing landscape of the finance industry means an emerging generation of lender enterprises. Credit card receivables financing companies are becoming more influential as cost efficient tools enable them to fulfill what has been a service vacuum.

There are many small Visa/MasterCard merchants ranging from restaurants to niche retailers driven by small dollar amount credit card transactions. It's widely known that traditional banks and even large finance companies are reluctant to lend to these operations which can range from \$100,000 to \$5 million in annual revenues. (The cost and effort associated with banks processing an application for this prospect combined with the risk — is not worth the trouble.)

These businesses typically work with ISO's, an industry which has really matured and gained sophistication in the past five years.

However, the potential for ISO's to have relationships with merchants often denotes ruthless competition. The chance for a Visa/MasterCard merchant to change ISO's often means the ISO must offer lower pricing and costs. For most of these small businesses, beyond getting the best possible price, there is scant loyalty to their credit card processing service provider. Most times, it's nearly impossible for the ISO's to offer anything different from their rivals!

The working capital component becomes a useful sales device for the ISO, helping them to compete for the client.

A new feature that will intrigue many small businesses is if ISO's offer quick financing and working capital from a credit card receivables financing company. It gives the ISO a strategic advantage because now they can differentiate their product and services from other processors. The ISO can swiftly determine how much money a small business could potentially obtain from a credit card receivables financing company, based on the previous Visa/MasterCard sales volume.

This lender will usually forego a large part of the due diligence process which would otherwise be required by a bank. And, the credit underwriting standards are typically much less than those of banks. For example, if a proprietor has a bad credit history, tax issues, a record of delinquencies, collection items, liens or judgments — all of these credit blemishes will not be automatic deal breakers.

The credit card receivables financing company will usually fast-forward the monetary wire transfer (i.e., 70%–150% of the merchant's average monthly Visa/MasterCard volume).

One example is Ed Trunfio. He is the general manager of a suburban Boston, MA, 200-seat Italian restaurant named *Tosca*, which received nearly \$100,000 in working capital. "This route enabled me to get the money I needed, straightforward and no nonsense," says Trunfio.

In the case of Victor Gongora, proprietor of the four-year-old company, *Big O Tires* located near Ventura, CA — he was hit with a tax bill higher than he expected, which really blew out his cash flow. Gongora states, "Being the hands-on worker in my business, I didn't have time to fool around with a regular bank. So when my credit card processor explained how easy I could get a loan by this route, I did it."

This working capital component becomes a useful sales device for the ISO, helping them to compete for the client. A further benefit for the ISO is that the client's use of this financing, ties this business to the ISO. It is very unlikely that the client will be able to leave the ISO prior to the loan being paid off. ISO's find that the client relationships can last for years — so long as the client continually needs the working capital.

Finally, when the ISO is a facilitator of credit card receivables financing for his client, it's in the spirit of nurturing expansion and development for the small business. This can yield more credit card transactions and revenue for the ISO.



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