

Friday, May 29, 2009

Companies utilize FTrans technology

Tampa Bay Business Journal - by [Margaret Cashill](#) Staff Writer

ST. PETERSBURG — After Thomas Cox began Power Brake LLC in 2006, he found that his growing company, which specializes in brake systems for heavy-duty vehicles, needed quick access to cash to stay afloat.

“The first order was a \$600,000 order, and we couldn’t afford to carry to receivables,” said Cox.

On the advice of his banker, he initiated the use of FTrans technology, which provided him immediate access to cash based on his outstanding invoices.

A venture-backed company based in Atlanta, FTrans Corp. has developed the technology that allows Power Brake and other small or medium-sized businesses, as well as financial institutions, to access greater amounts of capital in a shorter period of time. FTrans will pick up the company’s invoice and pass the information along to a bank, which has access to the credit of the company receiving the invoice, allowing the advancement of a portion of the invoice to the company against its receivables.

The client company pays the bank borrowing rates and pays FTrans about 1 percent of the value of the invoices, through which FTrans provides accounts receivable outsourcing, collections, credit administration and other services.

Companies that generate between \$1 million and \$200 million in revenue and that sell to other businesses make up the client base of FTrans, said Dan Drechsel, CEO.


Growing companies whose financial information does not support a line of credit can benefit from FTrans, said Deborah Sheridan, senior VP of Synovus commercial banking. The technology reduces the risk of conventional banks but provides an underlying line of credit through a commercial lender, Sheridan said.

FTrans started with Synovus Financial Corp. and one other bank in 2004 and has since added four other banks, which are concentrated in the Southeast. In May, the company signed with Patriot Bank, based in Trinity. In addition, all 30 of the separately chartered banks under the Synovus holding company use the technology.

Banks that had in the past focused on real estate or commercial lending and are looking to diversify could benefit from doing business with small credit through FTrans, Drechsel said.

Difference from factoring

FTrans has similarities to factoring, or the receivables discounting process through which a business will use a third party to collect on its invoices to allow immediate access to funds.

Factoring is a 100-year-old enterprise that lets businesses provide workers immediate pay by bridging the cash flow, said Diane Homa, president of  Fountainhead Funding LLC, a St. Petersburg firm that offers non-bank funding methods including factoring and receivables financing. Factoring works well for companies in growth mode, said Homa.

"What we do is next-generation factoring, similar yet different," said Jim Lester, FTrans VP of marketing. Receivables discounting charges higher rates and does not include accounts receivable and credit management outsourcing services, said Lester.

A close eye on credit

Rick Broom, who founded Tampa printing company A Print Solution in 2006, said that the credit monitoring and insurance system eventually left him in a bind.

Broom started using FTrans in 2008 but earlier this year was informed that roughly half of his 30 customers would no longer be accepted for credit based on the credit scoring techniques FTrans uses to verify the credit of the companies. Some of these customers were very large, well-reputed organizations, Broom said.

The action required Broom to "float" his customers for the 30 to 45 days he would be funded by FTrans.

"If I go out and sell a new client today, I have one to float," said Broom. "When you have 12 customers you have to float immediately it puts you in a financial crunch."

Broom closed the business, which at its height had 14 employees, in April.

The credit quality of the businesses is always subject to change and based on it FTrans will alter credit lines, but it will work with clients so they understand the changes, Drechsel said.

"We continuously re-inspect the credit of people buying from our customers," said Drechsel. Customers often use the information to switch sales terms, he said. "It keeps that bad debt expense down."

mcashill@bizjournals.com | 813.342.2463