Epay Manager vs. Factoring Companies

When you consider ways to attract more carriers to your company, your early payment program can play an important part in reaching that objective. As part of this process, it's important to make carriers who factor invoices, understand the differences between being paid by Epay Manager and their factoring company.

Before a carrier decides to invoice your company directly or through their factoring company, it's important to address the following points with the carrier:

1. Factoring companies typically advance only a portion (80-90%), of the invoice with the remaining balance held in a reserve account until the invoice is paid.

   Epay Manager allows your company to pay the full amount (100%) of the invoice directly to the carrier.

2. Most factoring companies require the submission of original documentation before purchasing an invoice. If regular mail is used, this requirement can delay the settlement period by 3-5 days. This delay is counterproductive to the benefits of "instant pay" promoted by most factoring companies. Alternatively, carriers may elect to use express mail at a significant additional cost.

   Epay Manager allows your carriers to fax proof of delivery documents and eliminate the time and cost of mailing these documents. When you receive these documents electronically, your company can approve invoices in a matter of minutes rather than days. Electronic submission and settlement allows the carrier to receive payment faster than if the invoice was sold to a factoring company. With Epay Manager, all invoices are paid electronically using the ACH network and the carrier's bank account is credited the same day your company's account is debited.

3. Factoring companies typically have "buy back" provisions in their agreements with carriers. These provisions require carriers to repurchase an invoice from the factor if your company does not pay the invoice in a timely manner. When this occurs, a carrier must refund the amount advanced to the factor, plus any fees earned. Following the repurchase, the carrier must then collect the balance due, but cannot recover the fee paid to the factor.

   Epay Manager has no buy back provision because the carrier deals directly with your company on every invoice. Epay's unique self-invoicing system allows carriers to electronically submit all required information and receive final settlement without delay.

4. Fees charged by factoring companies are often higher than other forms of receivable financing.

   Epay Manager is designed to pay carriers quickly and, at the same time, eliminate most of the fees charged by factoring companies. With Epay, your company creates a pre-approved list of payment terms that includes a variety of discount options. These terms can be selected by carriers on each invoice. With Epay, no carrier is required to accept discounted terms, because the system requires an option for standard non-discounted terms.

5. Carriers factor invoices because most of their customers do not offer competitive quick payment options.

   Epay Manager provides your company with a way to satisfy your carrier's cash flow needs, by offering early payment options in exchange for discounts. By offering these terms, your company can reduce its direct cost by an average of 1 to 3 percent.

6. Carriers that factor invoices are restricted from doing business with companies that are not approved by the factoring company. This limitation reduces the opportunity for many carriers to form new business relationships and haul more loads.

   Epay Manager gives your company the ability to offer early payment options to carriers who factor invoices. In some instances these options can attract carriers that would otherwise be unavailable for use (i.e. when your company is not approved by the factoring company).

7. Carriers are not required to factor every load they haul. Factoring agreements generally allow carriers to decide which invoices they wish to factor and factoring companies are free to choose which of the carrier's invoices they wish to purchase. Because of this bi-lateral relationship, factoring companies generally allow carriers to transact business outside the factoring relationship, assuming contractual minimums are met.

   Epay Manager allows your company to hire carriers who factor invoices and pay them outside of the factoring relationship. By offering a more competitive rate for quick payment, your carriers will find your company more attractive and will be more likely to haul for you in the future.

8. Factoring companies often have hidden fees. These include the cost of express mailing documents, Comdata fees, ATM fees, fuel advances, balance checks, credit checks and check surcharges. In addition to these fees, carriers also pay the factor a discount rate that increases as the number of days the invoice is outstanding grows. In many instances, carriers are attracted to factoring companies with low introductory rates; but these rates usually apply to the carrier's most credit worthy customers. Higher rates are charged for all other customers. Because carriers are charged multiple and varying fees, it's difficult for most carriers to calculate the true cost of factoring.

   Epay Manager doesn't have any hidden fees. Each transaction is settled for a flat fee that is typically paid by the shipper or third party.

In conclusion, when your company provides a higher level of service to your carriers than the factoring company is able to provide, your company is in a stronger position to build and maintain a loyal carrier base to support your customers. If your company has a large percentage of carriers that factor invoices, Epay Manager provides you with the unique opportunity to both lower your costs and strengthen carrier relationships.