

Accounts Receivable Financing- Bueno!

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Accounts Receivable Financing- Bueno explores the international world of exporting to Mexico from the U.S. and importing to the U.S. from Mexico with the availability of commercial financing in the form accounts receivable financing.

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According to Wordreference.com English to Spanish dictionary, the Spanish word "bueno" has about seven meanings: good, kind, well, nice, considerable as in a considerable amount of money, gorgeous and real. As used in this article bueno is used to suggest that if you are in the import or export business, Mexico is a good country to consider with special opportunities for U.S. traders and financing available in the form of accounts receivable financing. Your business can make a considerable amount of money in Mexico.

{bot_wrgoogle}Mexico has a population of over 103 million people. In January, 2007 U.S. exports to Mexico were over \$10.7 billion dollars and imports from Mexico to the U.S. were over \$15.3 billion dollars. Products traded included food, beverages, tobacco, lubricants, manufactured goods and machinery. Many U.S. companies have production and assembly operation in Mexico to meet the challenges of global competition with Mexico's lower labor, utility and overhead costs. Compared to China, Mexico presents less geographic logistical problems with our common border and relative proximity. Mexico has a highly skilled and hard working labor force. The Mexican legal system, however, is quite different from U.S. law where we have a Uniform Commercial Code which has been adopted by all of the U.S. States to regulate commercial finance transactions. Enforcing agreements in Mexico can be problematic. Litigation can drag on for years and judgments are difficult to enforce.

Mexico has a highly evolved and organized legal system. It was originally based on Greek, Roman and French legal systems; today it more resembles a Latin American country's legal system than the U.S. legal system. Mexico has vast layers of administrative law and a limited body of case law, or "jurisprudencia definida". Mexican law now recognizes a variety of security devices which allows commercial finance lenders to offer accounts receivable financing with reasonable certainty. To participate in Mexico's marketplace, it is wise to have a Mexican legal counsel as a part of your team.

One unique Mexican program is the Maquiladora concept and its privileged status. Maquila operations involve the importation of foreign merchandise into Mexico on a temporary basis, where it is assembled, manufactured or repaired and then exported back to the U.S. or to other countries. The advantages of maquila operations are savings in operational costs, waiver of import duties, opportunities to sell goods in Mexico and other legal and tax advantages that are beyond the scope of this article. Mexico's maquila industry is a multi-billion dollar industry in the U.S. - Mexican border. These laws are business friendly and many small and medium sized firms have increased their profit margins by manufacturing in U.S.-Mexico border cities.

One example is a fine furniture and wrought iron fabricator based in California that was having financial difficulties because of high labor costs and increasing worker's compensation premiums. These costs were cut in half by moving production to a maquiladora. Their exponential growth from 30 to 100 employees more than tripled their production and profits. Their sales contracts specified net 60-day credit terms but actual payments collections were closer to

90 days. Accounts receivable financing facilitated the company's rapid growth by providing liquidity from the purchase of the receivables by a commercial finance company at a discounted rate. Without this cash flow, the company could not have taken advantage of their sales opportunities or produced their products fast enough.

The Mexico factoring financing process is similar to accounts receivable financing in the U.S. A finance company advances about 80% of the face value of the receivable to business owner. This cash is used to pay for materials, labor and overhead. When the invoice is paid to the commercial finance company, their fees are deducted and the balance is returned to the business. In general, a 25% profit on the merchandise is necessary for the financing to make sense.

The bottom line: for U.S. importers and exporters Mexico offers many opportunities for successful business operations. Accounts receivable financing and maquiladoras may enhance their profits. Bueno! Business in Mexico is good.

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