

# The Commercial Finance Association Celebrates Seventy Years of Turning Insights Into Opportunities

By Michele Ocejo







The Commercial Finance Association celebrated its 70th Convention last month in Washington, D.C. This is the premier event for the asset-based lending, factoring and trade finance industries, with unparalleled education and networking opportunities at the event underscoring the positive energy of the industry executives in attendance. The top-quality panels included topics such as, views from the top from both the large ABL players and the entrepreneurial viewpoint, opportunities in cross-border ABL, challenges for the independent factor, recovering from fraud, and the state of the ABL market. No matter which market you serve, this year's CFA Annual Convention truly offered something for everyone.

Bob Trojan, CEO of the Commercial Finance Association said, "Over 1,000 industry executives gathered in Washington, D.C. for our 70th Annual Convention! We took part in world-class networking receptions, exhibition hall conversations and impromptu hallway meetings, rekindling old friendships and creating new business partnerships.

Ben Bernanke, Sallie Krawcheck, Seth Mattison and Tom Goldstein were all sensational and everyone I spoke with (and that was a lot of members!) told me the panel sessions featuring industry thought leaders were also invaluable."

Keynote speaker this year was Dr. Ben Bernanke, former head of the Federal Reserve, who offered his insights into the financial crisis and the government's response, the role of the financial services industry in growing the economy and his thoughts on quantitative easing, the labor market and the current state of the economy.

Jeffrey K. Goldrich, president and CEO, North Mill Capital LLC, described his convention experience: "The CFA convention is important to me on many levels, but the most enjoyable part is meeting new people and companies in our industry. The panel topics were diverse. The factoring panel was of particular importance to me and the panelists provided a very unique set of topical ideas and issues. I am looking forward to Austin next year."

In the panel Key Challenges for the Independent Factor, leading independent factoring professionals shared their strategies on how to address some of the most significant issues they face, including how

to effectively conduct due diligence on unfamiliar account debtors, how to obtain funding when a factoring company does not meet the minimum requirements of larger lending institutions, strategies for dealing with competition from many new entrants, creating rate compression and structural pressures such as light notification and how to integrate inventory and equipment lending into the independent small factor's portfolio. The panel was moderated by Dan Tortoriello of North Mill Capital.

Ivan Baker, managing partner of United Capital Funding Corp., characterized 2014 as "challenging", but said he is "moderately optimistic" about 2015. "NFIB stats gave me a little reason for optimism," he explained, citing a survey done by the organization of its members in which 55% said they plan to increase employment in the coming year. Sixty-two percent said they have current job openings, but only 47% thought the economy would improve. "To see real change, we need to see economic growth," said Baker.

Harvey Kaminski, president and CEO, Prestige Capital, mentioned a troubling trend he is seeing that is affecting his company's bottom line. "We've been in documentation and another lender will come in and offer a better deal even though we already have contracts. We then have to reduce the rate at the last minute in order to keep the deal." He said the lenders who are doing this are "people who want a foothold in the industry and are dropping rates drastically."

When asked what about a borrower would cause them to give an immediate "no", Baker, said, "It gets down to analyzing the character of the principals of the business. We do a detailed analysis of the A/R and the portfolio, but an automatic "no" for us would be a blemish on the background report, potentially things on a personal credit report; for example unpaid child support would rub me the wrong way."

Michael Monk, managing partner of Amerisource Funding, said, "If you can't find availability in the aging, if you don't have good quality account debtors, then it probably won't be a deal for us."

In the State of the ABL Capital Markets: Independent and Small Commercial Lenders, moderated by David Phillips,



**CFA Convention Attendees Gather In Between Educational Panels**

managing director-head of originations with Alostair Business Credit, panelists discussed the challenges they face. Ron Vanek, president of Marquette Business Credit, Inc., said, "The low level of M&A especially in our marketplace, which drives a lot of loan capabilities for us, is still a problem. We do a lot of work with the private equity and mezzanine groups, but a lot of it tends to be refinance work rather than new acquisitions."

Bruce Sprenger, group president, with MB Business Capital, told the audience, "We've found the regional banks to be very aggressive. They have a tendency to compete on the basis of a structural position that we don't necessarily always agree with. And we've lost some deals to regional banks." Sprenger also said there are many new asset-based lenders entering the market either with "a senior team that was dislodged or they decided they wanted to do something unique and different."

On the important topic of human resources, Milt Iskra, executive vice president and national marketing director, NewStar Business Credit, said, "Finding quality, experienced originators is difficult as there are very few training grounds today and with the economics of the current market, smaller companies do not have the luxury of training. The combination of strong credit skills along with marketing and sales talent is a unique combination in short

supply."

According to Sprenger talent management is a significant issue for the industry. "We have a need and a responsibility to look at our talent management and be proactive," he said.

In the panel Preventing and Recovering from Massive Fraud, panelists discussed the strategies to discover fraud during the due diligence process, methods to enhance recoveries by proper planning and strategies to be employed and decisions to be made once fraud has been discovered. Jeffrey Rosenthal of Otterbourg P.C. moderated the discussion.

Jeff Brandlin, president and founder of Brandlin and Associates, had simple advice for avoiding fraud: "Sometimes the best deterrent to a fraud is to let the borrower know you're looking at them, you're watching them. Lift your heads out of the spreadsheets, get your faces out of the laptops. Get out there and walk around and talk to people. Trust your instincts and follow them."

Kim Withrow, senior vice president and legal counsel at First Capital, advised, "Get to know your borrower and their business. Spend a few minutes and look at their invoices. Make sure the names on there are the names that should be. Look at corporate structure. Is it overly complicated? Do they have a lot of affiliates?" She pointed out that changing names often in the last





**Dr. Ben Bernanke, former head of the Federal Reserve, and Bob Trojan, Chief Executive Officer of CFA**

5-10 years, having inactive affiliates without a purpose and customers who balk at the idea of verifications could be red flags.

Barry Karen, first vice president of IDB Bank, told attendees, “Track the inventory even if you aren’t lending against it. You still want to track it because you want to know where your money is going. A growing inventory could be an indication your customer isn’t performing the way it once was.”

Richard Haddad, partner, Otterbourg P.C., discussed the importance of security and quick action once a lender suspects fraud. “Delay is your enemy. Secure the offices, secure computers, secure the warehouse, secure records. Change locks and the security code,” he said. “If you confront your bad guy, he will say ‘work with me, I’ll get you paid. I know how to collect. Give me a week, give me six months.’ It sounds tempting, but it’s dangerous. They will just dig in deeper and make it more difficult to recover.” Haddad also advised using the bankruptcy courts over state court to stem losses, change management, put a trustee in place and set up a process for a sale.

Attendees raved about the Convention. “Another great convention in DC! Many interesting panel discussions on a variety of topics. I was disappointed that I couldn’t get to all of them! I thought the presentation by Seth Mattison was really stimulating and thought-provoking. Good positive

energy, and he pushed our thinking out of our comfort zone a bit!” said Joe Accardi of Santander.

“Each year the CFA Annual Convention presents a unique opportunity for us to connect with clients, prospects and colleagues across the asset-based lending landscape,” said Brian Wright, senior vice president, business development for Bank of America Business Capital. “The thoughtful insights on our industry and the global economy which are shared by the consistently high-caliber speakers never fail to generate a robust dialogue among attendees.”

Anne Marie Pisano, partner, Goldberg Kohn, said, “So much of what we do in the commercial finance field is about making connections to other people in the industry and the CFA national convention provides one the best forums there is to connect with a wide cross section of commercial finance professionals. I found the panel on the reform of Chapter 11 of the Bankruptcy Code particularly helpful and timely. It provided background on the motivation for reform and practical views on how the upcoming reform may impact the use of Chapter 11 as an option for debtors and lenders.”

“The CFA Annual Convention somehow continues to improve in both networking and educational opportunities each year. The most exciting part of this year’s

convention for me was the Women in Commercial Finance guest speaker, Sallie Krawcheck, and ‘she went there’. Her presentation was dynamic and inspirational. The biggest take-away was to ‘get a sponsor’ and her encouragement for women to find a sponsor, not just a mentor, to propel their careers. I also found the panel discussion View from the Top: Independent Commercial Lenders a validation of the challenges and opportunities in the marketplace today. The CFA continues to create a conference that boasts timely panel topics and diverse speakers. I look forward to next year,” said Jennifer Sheasgreen, president, Triumph Healthcare Finance.

Jeffrey Rosenthal, partner, Otterbourg, P.C., said, “I thought this year’s convention was a resounding success in many ways, but two that stand out are networking and education. There were many times and opportunities for attendees to meet and exchange information and ideas. Overall the quality of the programs were exceptional this year. While it has been running for a few years now, the View From the Top series remains relevant and informative. It affords everyone an opportunity to hear some of our industries’ senior management express their views and have an open conversation about relevant topics of the day and the future.”

Rob Katz, managing director of Executive Sounding Board, gained the most from the Preventing & Recovering from a Massive Fraud panel and The State of the ABL Capital Markets: Independent Commercial Lenders panels. “The panelists were engaging, thoughtful and well prepared,” he said.

Andrea Petro, executive vice president, division manager, Wells Fargo Capital Finance, and chairperson of CFA’s 2015 Convention Planning Committee, said, “The 2014 Convention was one of the best in recent memory. Dr. Ben Bernanke and Sallie Krawcheck were excellent speakers and the panels were thought provoking and educational. It will be difficult to top 2014, but the 2015 Austin Convention Committee will do it’s best to plan a great convention in the great State of Texas!” **TSL**

Michele Ocejo is editor-in-chief of *The Secured Lender*.