

Uncle Sam stumbles

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David DiPiero, Chairman and CEO of FGI, provides Factorscan with his views on how US factoring has been affected by the downturn, how factoring failure has become increasingly likely and what are the industry's hopes regarding the new US administration.

How are American factors faring in the downturn?

Many factors small large and even the factoring divisions of banks are having trouble underwriting deals and accessing funds to support current clients not to mention future clients. As a result certainly terms are getting tougher.

How has FGI sought to maintain its edge in the downturn?

FGI continues to concentrate upon its area of specialty, which is international receivables. I believe that in times like these we need to concentrate on our core competency and do our best to limit exposure in extremely volatile areas.

Do you foresee failures in the US factoring industry in 2009?

Absolutely, there have already been some failures and this market will continue to effect the lending community as a whole not only in the United States but worldwide.

Has the current crisis had an impact upon pricing and advances amongst American factors? How significant have such changes been?

Pricing has definitely increased slightly, however the real concern is the ability to more accurately evaluate collateral. Many of the evaluation techniques that were commonly utilized in the past will have to be revised to reflect the present day asset volatility with a greater focus on both short term and long term factors.

Which sectors have been most badly hit by the downturn?

The areas most affected are those related to the most troubled industry segments including automotive, retail, furniture and associated suppliers to these and other industries.

Have American factors been able to access credit insurance cover? How long do you think that the crisis in cover will persist?

Credit insurance coverage has certainly become more difficult for American factors to access. I believe that things will get worse before they get better. Depending on what actions we take in the US, and more specifically how they are carried out, will tell us whether or not we will be waiting months or years for an upswing in the economy.

American SMEs seem particularly troubled by the global recession, what advice and support are factors offering them during the recession?

I can only speak for FGI in saying that we are doing everything we can to help companies that are being worked-out of their bank loans or having trouble covering risk exposure to their debtors. It is very difficult to help everyone, but I see other factoring companies that we know and work with doing the same thing.

What help has the US government extended to factors and their clients? How effective has this assistance been?

So far our industry has not been included in any offerings from the US govt. Obviously there may be an indirect push depending on the new administration's efforts in the lending sector but for now we have to assume we are on our own.

How do FGI and the wider factoring community view the inauguration of President Obama? What potential changes for the factoring industry might his term in office usher in?

I believe that most of us are hoping that President Obama will move quickly to get the wheels turning and jump start the confidence that the lending market and credit markets need right now. There will certainly be changes to the public institutions taking funds and also to the companies funded by hedge funds and similar institutions, as transparency will definitely be a major theme in the changes coming down the pipe. We don't really see it as just a US problem. FGI operates all over the world and the economies are so interconnected that it will take all of us to move out of this recession and get back on track.