

# Secured Finance Network

---



An association of professionals  
putting capital to work

## Annual Asset-Based Lending and Factoring Surveys, 2008

**Non-Member Edition**

**May 6, 2009**

R.S. Carmichael & Co., Inc.  
70 West Red Oak Lane (4<sup>th</sup> Floor)  
White Plains, NY 10604  
914-761-8200

Secured Finance Network  
370 Seventh Avenue (Suite  
1801) New York, NY 10001  
212-972-9390

## **TABLE OF CONTENTS**

---

	<b>Page</b>
<b>INTRODUCTION</b>	<b>1</b>
<b>SURVEY HIGHLIGHTS</b>	<b>2</b>
<b>ASSET-BASED LENDING SURVEY RESULTS</b>	<b>4</b>
<b>FACTORING SURVEY RESULTS</b>	<b>14</b>

## INTRODUCTION

---

- **The Secured Finance Network is pleased to present the results of the Annual Asset-Based Lending and Factoring Survey for 2008.**
- **The SFNet is the trade association for asset-based lenders across the entire collateral/credit risk spectrum, as well as for full-service and niche/entrepreneurial factoring organizations.**
  - The SFNet also represents hedge funds, tranche B/junior lenders, floorplanners, captive finance companies and other organizations engaged in various aspects of business-to-business asset-based lending and factoring.
- **SFNet members annually submit questionnaires summarizing their asset-based loans outstanding and factoring volume and detailing how their business was distributed geographically. Their input provides a foundation for data extrapolations to account for non-member asset-based lenders.**
  - Commercial banks alone accounted for more than \$1.5 trillion of “C&I” (commercial and industrial) loans outstanding in 2008. Under a broad definition of “asset-based lending,” many of these C&I loans would qualify since they are secured transactions characterized by borrowing bases and periodic field examinations.
  - Captive finance companies and others engaged in floorplan finance for automotive dealers and many other consumer durable and capital equipment dealers also qualify. Their products consist of commercial loans to dealers that are secured by inventory and subject to periodic field examinations. GMAC, for example, has a \$20 billion portfolio of asset-based inventory loans to dealers.

**Input for this survey was obtained from members of the Secured Finance Network, as well as from secondary data sources such as government agencies, trade associations and trade publications.**

## **SURVEY HIGHLIGHTS**

---

**The U.S. asset-based lending industry grew in 2008 and approached \$600 billion in total loans outstanding.**

**Asset-based lenders continued to make loans in a difficult economic climate.**

**The Northeast U.S. was the largest regional asset-based lending market by a slight margin.**

**Twelve states represented nearly 65% of total asset-based loans outstanding.**

**Factoring industry volume stabilized in 2008.**

**The Northeast U.S. continued to be the major regional market for factoring.**

**The textile/apparel industry still prevailed as the leading client industry for factors.**

**Non-traditional industries (e.g., transportation, business services) accounted for much of the smaller factors' volume in 2008.**

## **SURVEY HIGHLIGHTS (Cont.)**

---

**The volume of factored sales to retailers exceeded 70% in 2008.**

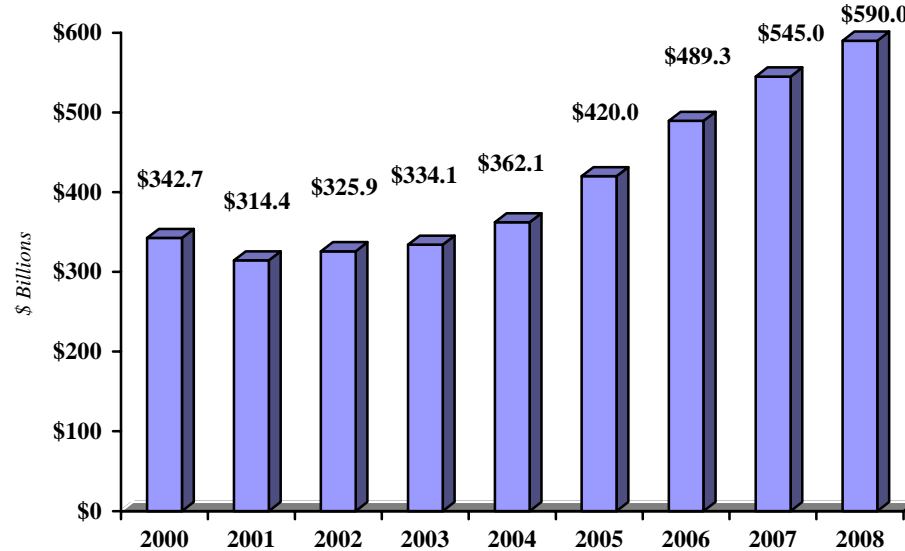
**Most factoring was conducted on a non-recourse basis. Smaller factors were almost exclusively involved with full-recourse factoring.**

**Non-notification factoring continued to be a relatively small segment of the factoring market.**

## ASSET-BASED LENDING SURVEY RESULTS

---

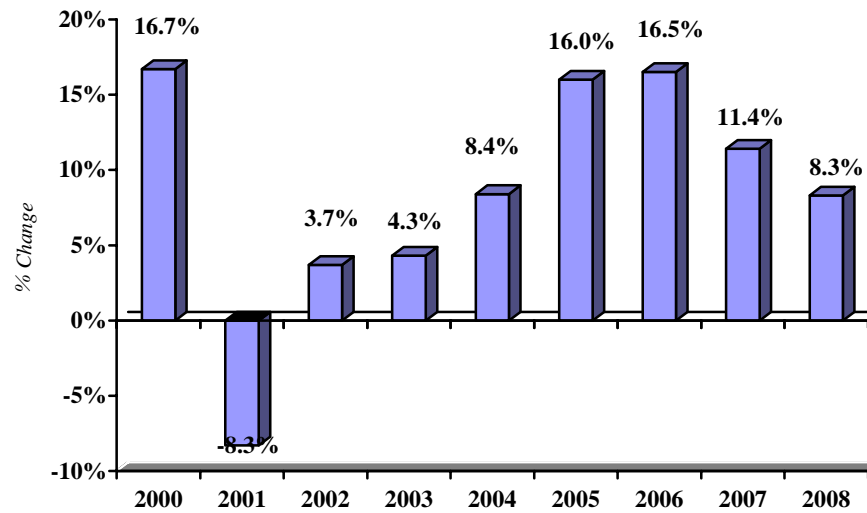
**The U.S. asset-based lending industry approached \$600 billion in total loans outstanding in 2008. Asset-based lenders continued to make loans in a difficult economic climate.**



**ASSET-BASED LENDING SURVEY RESULTS (Cont.)**

---

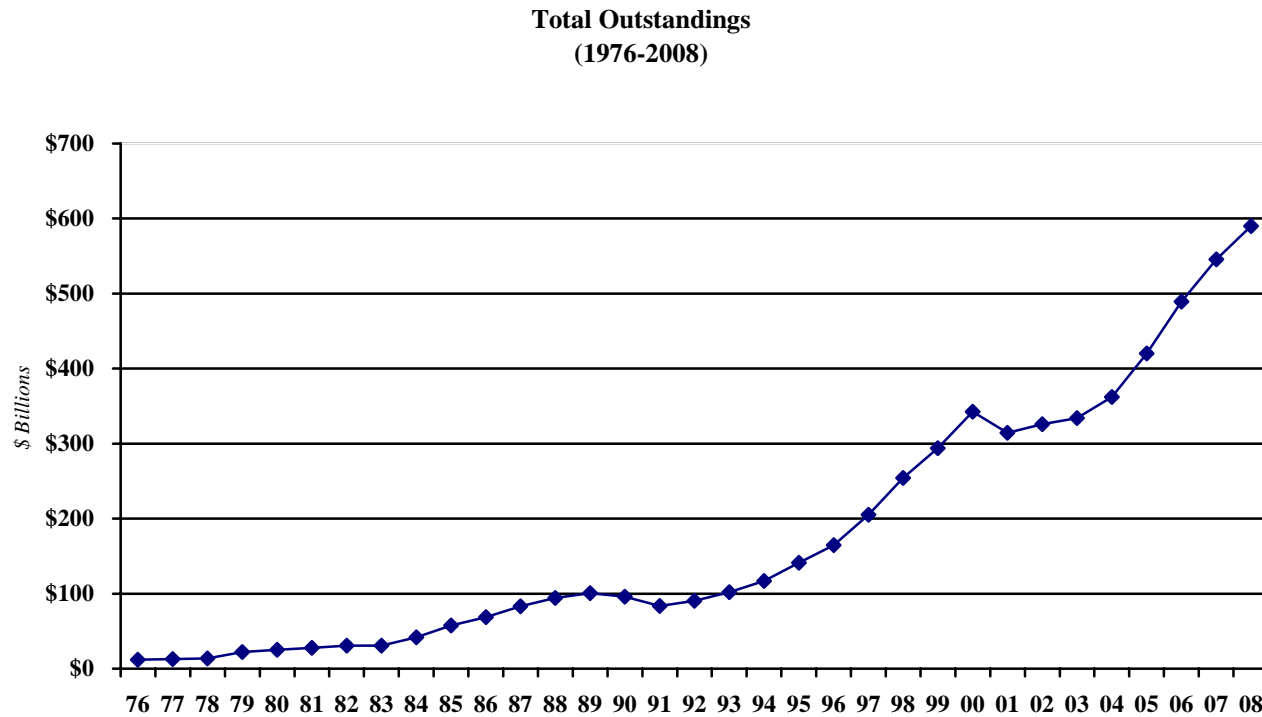
**Annual growth in asset-based loans outstanding was 8.3% in 2008.**



ASSET-BASED LENDING SURVEY RESULTS (Cont.)

---

The asset-based lending industry's long-term growth trend was sustained in 2008.

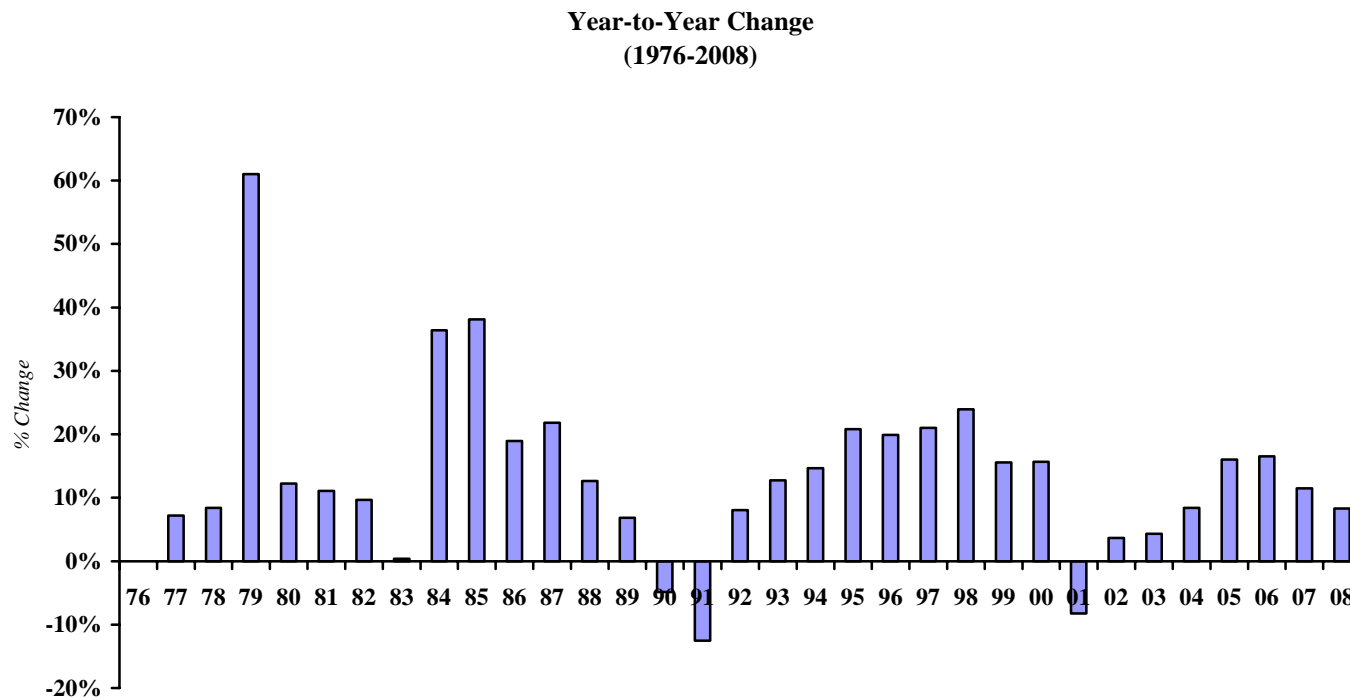




## ASSET-BASED LENDING SURVEY RESULTS (Cont.)

---

The slowdown of industry growth in 2008 was consistent with the pattern seen during past economic recessions.



## ASSET-BASED LENDING SURVEY RESULTS (Cont.)

### Total Outstandings (1976-2008)

Year	Total Outstandings (\$ Billions)	Percentage Change vs. Last Year (%)
2008	\$590.0 <sup>(1)</sup>	8.3%
2007	545.0	11.4
2006	489.3	16.5
2005	420.0	16.0
2004	362.1	8.4
2003	334.1	2.5
2002	325.9 <sup>(2)</sup>	3.7
2001	314.4	-8.2
2000	342.7	16.7
1999	293.8	15.6
1998	254.2	23.9
1997	205.1	21.0
1996	164.5	19.8
1995	141.4	20.7
1994	117.0	14.6
1993	102.1	12.7
1992	90.5	8.1
1991	83.8	-12.5
1990	95.8	-4.7
1989	100.7	6.8
1988	94.3	12.6
1987	83.7	21.8
1986	68.7	18.9
1985	57.7	38.1
1984	41.8	36.4
1983	30.7	0.4
1982	30.5	9.7
1981	27.8	11.1
1980	25.1	12.2
1979	22.3	61.0
1978	13.7	8.4
1977	12.8	7.2
1976	11.9	-

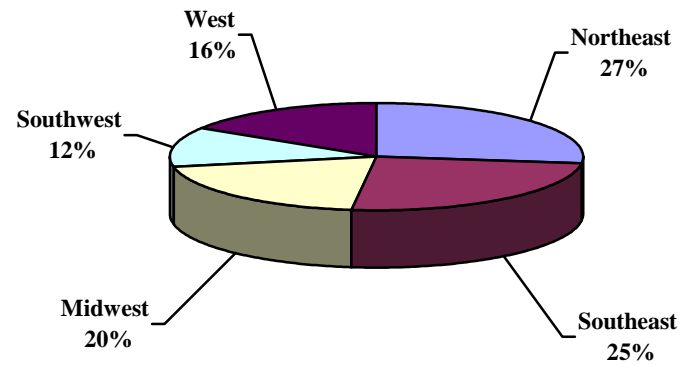
<sup>(1)</sup>Total outstandings, year-end (2003-2008)

<sup>(2)</sup>Total outstandings, monthly average (1976-2003)

## ASSET-BASED LENDING SURVEY RESULTS (Cont.)

---

**All regions of the U.S. were significant asset-based lending markets in 2008.**



*"Northeast" includes CT, DE, MA, ME, NH, NJ, NY, PA, RI, VT*

*"Southeast" includes AL, FL, GA, KY, MD, MS, NC, SC, TN, VA, WV*

*"Midwest" includes IA, IL, IN, KS, MI, MN, MO, MT, ND, NE, OH, SD, WI, WY*

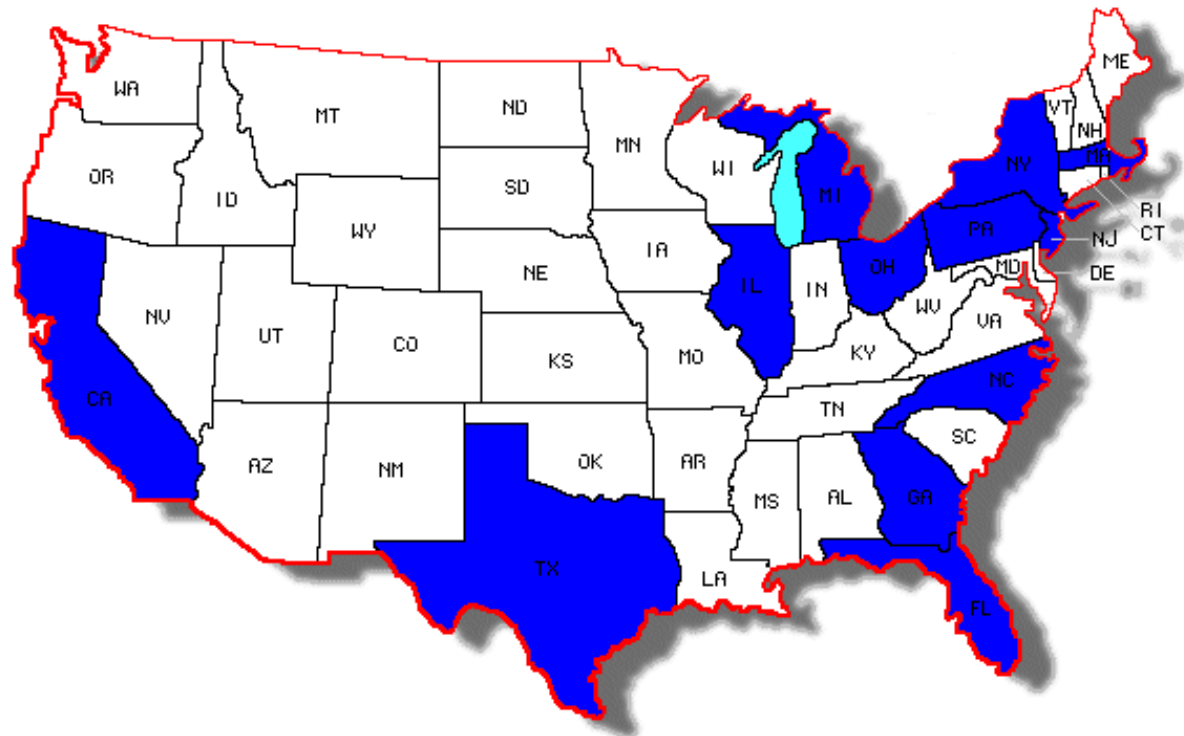
*"Southwest" includes AR, CO, LA, NM, OK, TX*

*"West" includes AK, AZ, CA, HI, ID, NV, OR, UT, WA*

**ASSET-BASED LENDING SURVEY RESULTS (Cont.)**

---

**In 2008, twelve states represented nearly 65% of total asset-based loans outstanding.**



## ASSET-BASED LENDING SURVEY RESULTS (Cont.)

### *State-by-State Breakdown of Asset-Based Loans Outstanding (%)*

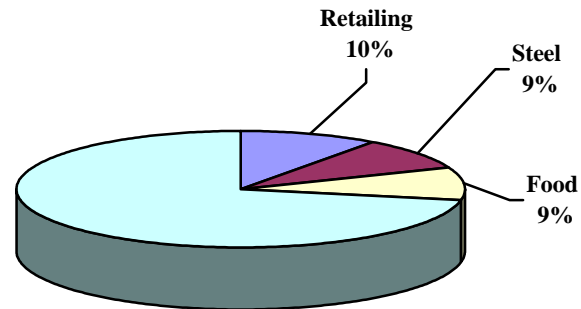
West		Southwest		Midwest		Southeast		Northeast	
Alaska	0.00 %	Arkansas	0.62%	Iowa	0.37%	Alabama	1.54%	Connecticut	3.11%
Arizona	1.45	Colorado	2.13	Illinois	4.73	District of Columbia	0.20	Delaware	0.14
California	9.96	Louisiana	1.11	Indiana	1.50	Florida	5.10	Massachusetts	3.15
Hawaii	0.03	New Mexico	0.20	Kansas	0.39	Georgia	5.22	Maine	0.34
Idaho	0.14	Oklahoma	0.67	Michigan	2.17	Kentucky	1.17	New Hampshire	0.52
Nevada	0.62	Texas	7.81	Minnesota	1.81	Maryland	1.45	New Jersey	4.25
Oregon	1.08			Missouri	1.86	Mississippi	0.47	New York	10.10
Utah	0.70			Montana	0.04	North Carolina	4.02	Pennsylvania	4.70
Washington	1.57			North Dakota	0.09	South Carolina	1.67	Rhode Island	0.37
				Nebraska	0.23	Tennessee	1.72	Vermont	0.11
				Ohio	4.61	Virginia	2.41		
				South Dakota	0.08	West Virginia	0.45		
				Wisconsin	1.74				
				Wyoming	0.09				
<b>Total</b>	<b>15.55%</b>		<b>12.54%</b>		<b>19.71%</b>		<b>25.42%</b>		<b>26.78%</b>

Base: \$590 billion in 2008 loans outstanding

**ASSET-BASED LENDING SURVEY RESULTS (Cont.)**

---

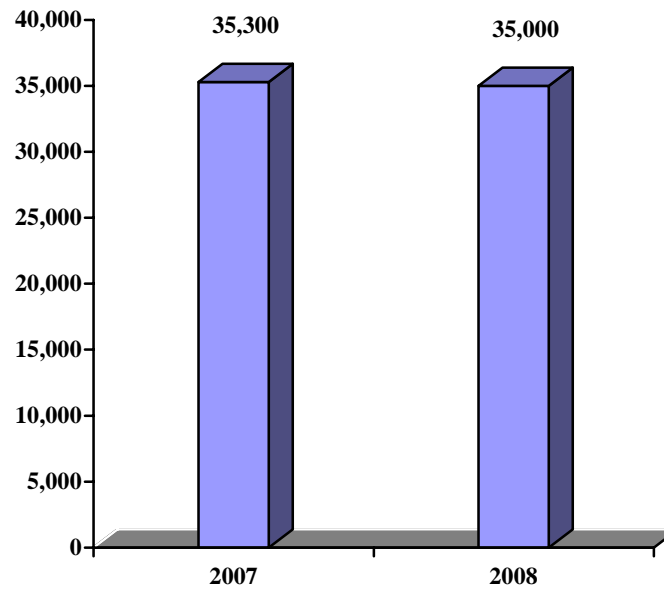
**Retailing, steel and food remained the leading asset-based borrower industries in 2008. Food/agribusiness became a relatively more significant borrower industry.**



## ASSET-BASED LENDING SURVEY RESULTS (Cont.)

---

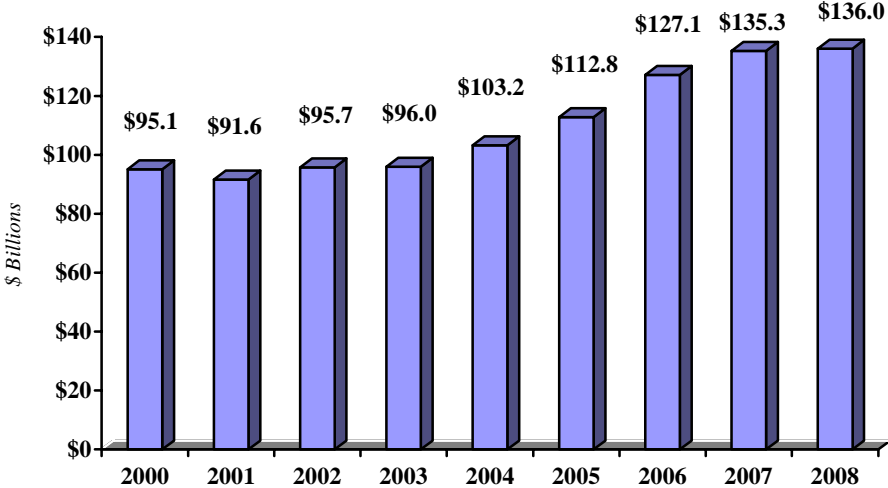
**The number of employees among organizations engaged in asset-based lending stabilized. However, the proportion of lender employees devoted to portfolio management grew in 2008.**



# FACTORING SURVEY RESULTS

---

**Factoring volume leveled off in 2008.**

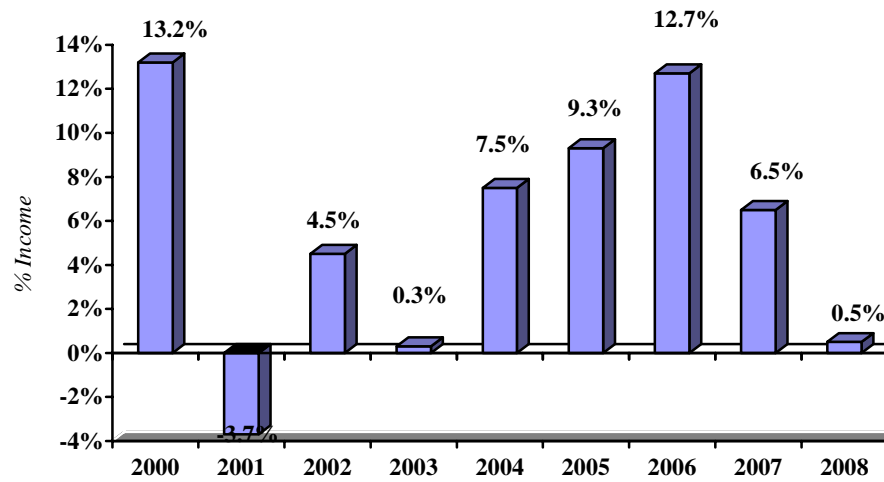




## FACTORING SURVEY RESULTS (Cont.)

---

**The rate of market growth for factoring was only 0.5% in 2008.**

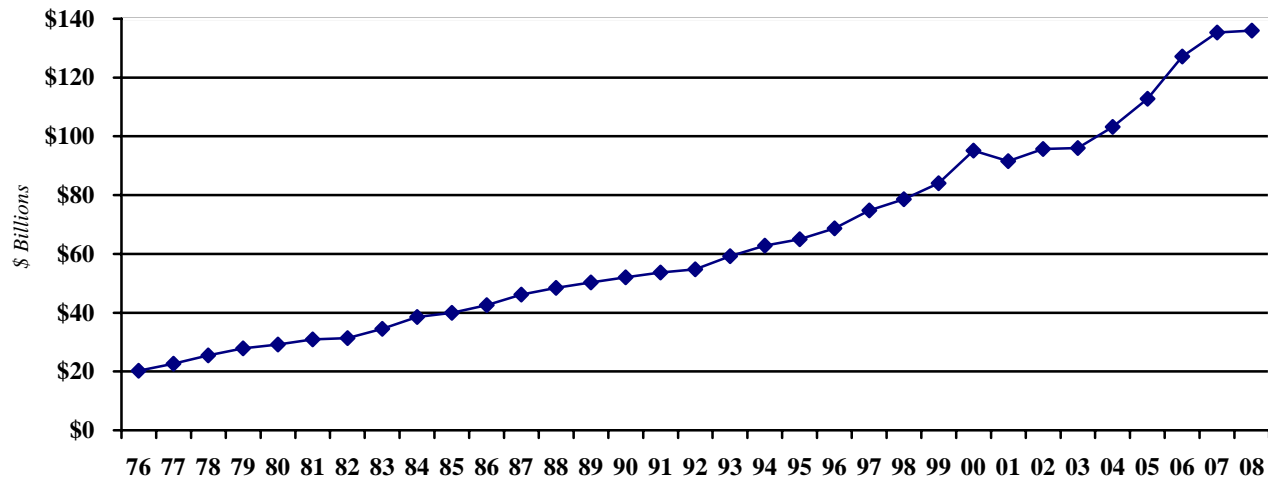


## FACTORING SURVEY RESULTS (Cont.)

---

Factoring has been a growth market in most years since 1976.

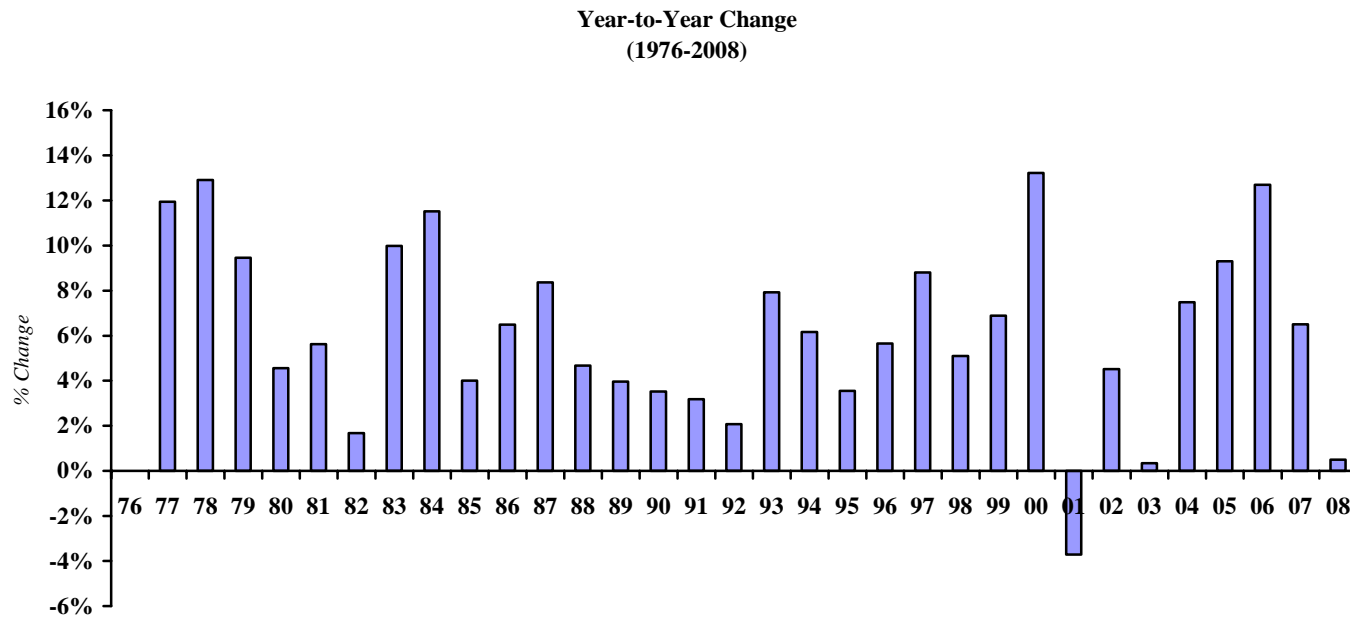
Annual Factoring Volume  
(1976-2008)



## FACTORING SURVEY RESULTS (Cont.)

---

**Limited factoring growth in 2008 was consistent with past economic downturns.**



## FACTORING SURVEY RESULTS (Cont.)

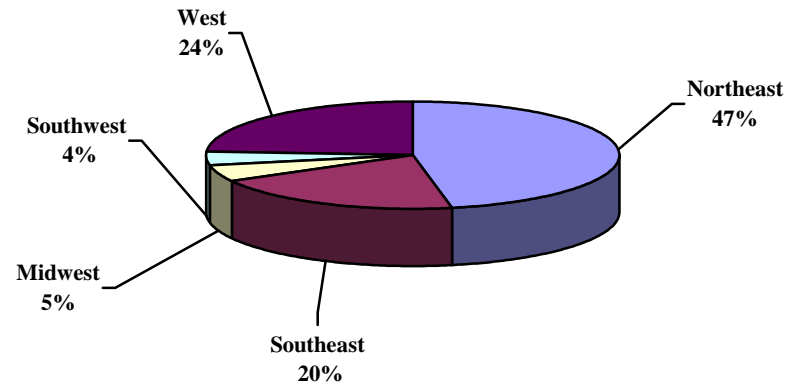
### Annual Factoring Volume (1976-2008)

Year	Total Factoring (\$ Billions)	Percentage Change vs. Last Year (%)
2008	\$136.0	0.5%
2007	\$135.3	6.5%
2006	127.1	12.7
2005	112.8	9.3
2004	103.2	7.5
2003	96.0	0.3
2002	95.7	4.5
2001	91.6	-3.7
2000	95.1	13.2
1999	84.0	6.9
1998	78.6	5.1
1997	74.8	8.8
1996	68.7	5.7
1995	65.0	3.6
1994	62.8	6.2
1993	59.2	7.9
1992	54.8	2.1
1991	53.7	3.2
1990	52.0	3.5
1989	50.3	3.9
1988	48.4	4.7
1987	46.2	8.4
1986	42.6	6.5
1985	40.0	4.0
1984	38.5	11.5
1983	34.5	9.9
1982	31.4	1.7
1981	30.9	5.6
1980	29.2	4.6
1979	27.9	9.5
1978	25.5	12.9
1977	22.6	11.9
1976	20.2	-

## FACTORING SURVEY RESULTS (Cont.)

---

**The Northeast U.S. continued to be the major regional market for factoring.**



*"Northeast" includes CT, DE, MA, ME, NH, NJ, NY, PA, RI, VT*

*"Southeast" includes AL, FL, GA, KY, MD, MS, NC, SC, TN, VA, WV*

*"Midwest" includes IA, IL, IN, KS, MI, MN, MO, MT, ND, NE, OH, SD, WI, WY*

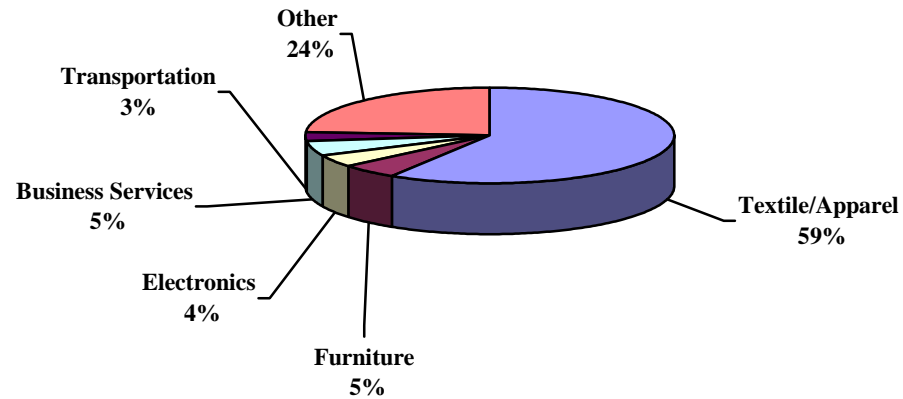
*"Southwest" includes AR, CO, LA, NM, OK, TX*

*"West" includes AK, AZ, CA, HI, ID, NV, OR, UT, WA*

## FACTORING SURVEY RESULTS (Cont.)

---

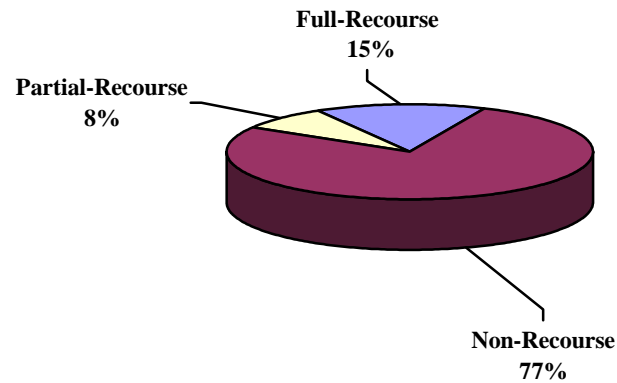
**The textile/apparel industry still prevailed as the leading client industry. Non-traditional industries for factoring (e.g., transportation, business services) accounted for much of the smaller factors' volume in 2008.**



## FACTORING SURVEY RESULTS (Cont.)

---

**Most factoring was conducted on a non-recourse<sup>(1)</sup> basis. Smaller factors were almost exclusively involved with full-recourse factoring.**

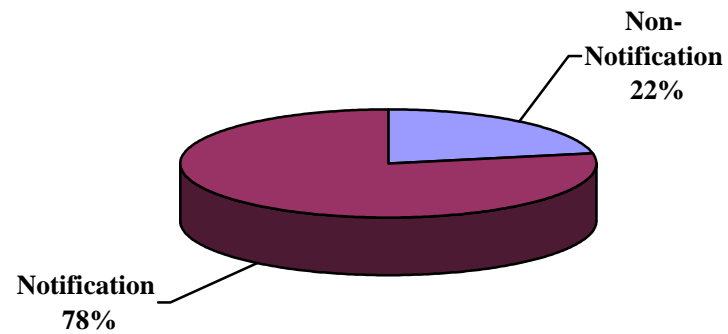


*<sup>(1)</sup>Factoring is largely the outright purchase of accounts receivable by a factor on a “non-recourse” basis. “Non-recourse” only applies to the inability of the client’s customer to pay for credit reasons. Should disputes arise as to the quality and quantity of merchandise ordered, etc., then there is recourse from the factor to its client.*

## FACTORING SURVEY RESULTS (Cont.)

---

**Non-notification factoring continued to be a relatively small segment of the factoring market. Larger factors more often provided non-notification factoring.**





## FACTORING SURVEY RESULTS (Cont.)

---

**The volume of factored sales to retailers exceeded 70% in 2008.**

