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**Annual Asset-Based Lending and  
Factoring Surveys, 2007**

**Non-Member Edition**

**June, 2008**

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## INTRODUCTION

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**The Secured Finance Network is pleased to present the results of the Annual Asset-Based Lending and Factoring Surveys for 2007.**

**The Secured Finance Network (SFNet) is an international trade association dedicated to the asset-based lending and factoring industries.**

**Founded in 1944, the SFNet has 300 member companies. Members include organizations engaged in secured business-to-business financing, the asset-based lending arms of domestic and foreign commercial banks, small and large independent finance companies, hedge funds, private equity firms, floorplan financing organizations, factoring organizations and financing subsidiaries of major industrial corporations.**

**SFNet Membership is comprised of:**

- 24% - Banks
- 76% - Non-Bank Financial Institutions

**These new surveys continue the SFNet's tracking of asset-based lending and factoring industry activities since 1976.**

**The SFNet surveys indicate the true size of the asset-based lending and factoring industries and their significance in providing financing to businesses.**

## METHODOLOGY

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**Input for these surveys 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.**

SFNet members annually submit questionnaires summarizing their asset-based loans outstanding and factoring volume and detailing how their business was distributed geographically. Their input provided the foundation for data extrapolations to account for non-member organizations that are active in various aspects of business-to-business asset-based lending. These organizations include commercial banks, thrifts, credit unions, independent finance companies, captive finance companies, hedge funds, floorplanners, and tranche B/junior lenders.

Commercial banks alone account for more than \$1 trillion of “C&I” (commercial and industrial) loans outstanding. Under a broad definition of “asset-based lending,” many of the banks’ 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.

With respect to hedge funds, a significant percentage are engaged in “direct lending” which can be asset-based in nature.

**Secondary data sources for these surveys included the FDIC, the Federal Reserve, American Banker, and annual reports.**

**The survey results herein are based on extrapolations of data obtained from SFNet members and other sources.**

## SURVEY HIGHLIGHTS

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**The asset-based lending industry continued its pattern of growth in 2007 and reached \$545 billion in terms of loans outstanding at year-end.**

**The Northeast was again the largest region in terms of loans outstanding, followed closely by the Southeast and Midwest.**

Twelve states accounted for 65% of all asset-based loans outstanding, with California the largest state market.

**The top industries for asset-based lenders included retailing, steel and food.**

**The performance of lenders in terms of portfolio quality and profitability was generally positive.**

**Factoring volume grew to \$135 billion in 2007, a 6.5% increase over 2006.**

**Factoring volume growth in 2007 was consistent with the median year-to-year industry increase over the past 30 years (6.2%).**

**Double-digit annual growth was experienced by the asset-based lending industry for the third year in a row.**

## SURVEY HIGHLIGHTS (Cont.)

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**The Northeast again represented the largest U.S. region for factoring, followed by the West.**

**The textile/apparel industry continued to account for the majority of factored volume in 2007.**

**In terms of total industry volume in 2007, most factoring was on a non-recourse basis. However, in terms of the number of factoring organizations, the majority provided factoring on a full-recourse basis.**

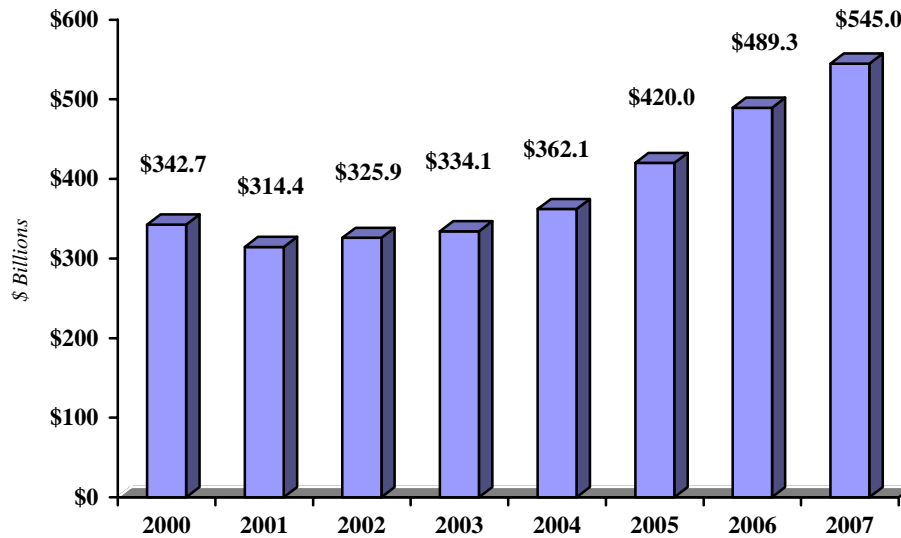
**For all factors, the majority of factoring volume in 2007 involved clients selling goods to retailers.**

**Factors' portfolio quality and profitability also were strong in 2007.**

## ASSET-BASED LENDING SURVEY RESULTS

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The U.S. asset-based lending industry continued its strong growth in 2007 and reached \$545 billion in loans outstanding at year-end.



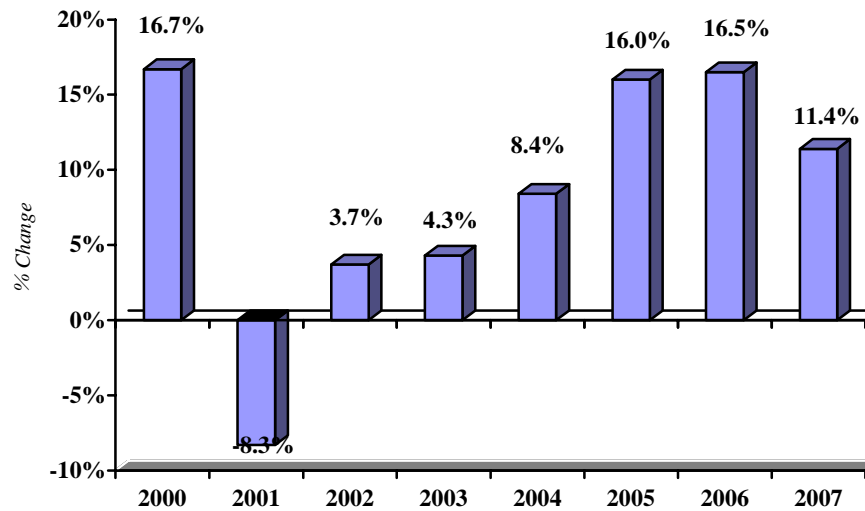
The size of the asset-based lending industry is larger than loans reported by SFNet members alone.

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

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Double-digit annual growth in loans outstanding was experienced by the asset-based lending industry for the third year in a row.

The annual rate of growth of asset-based lending in 2007 again exceeded 10%.

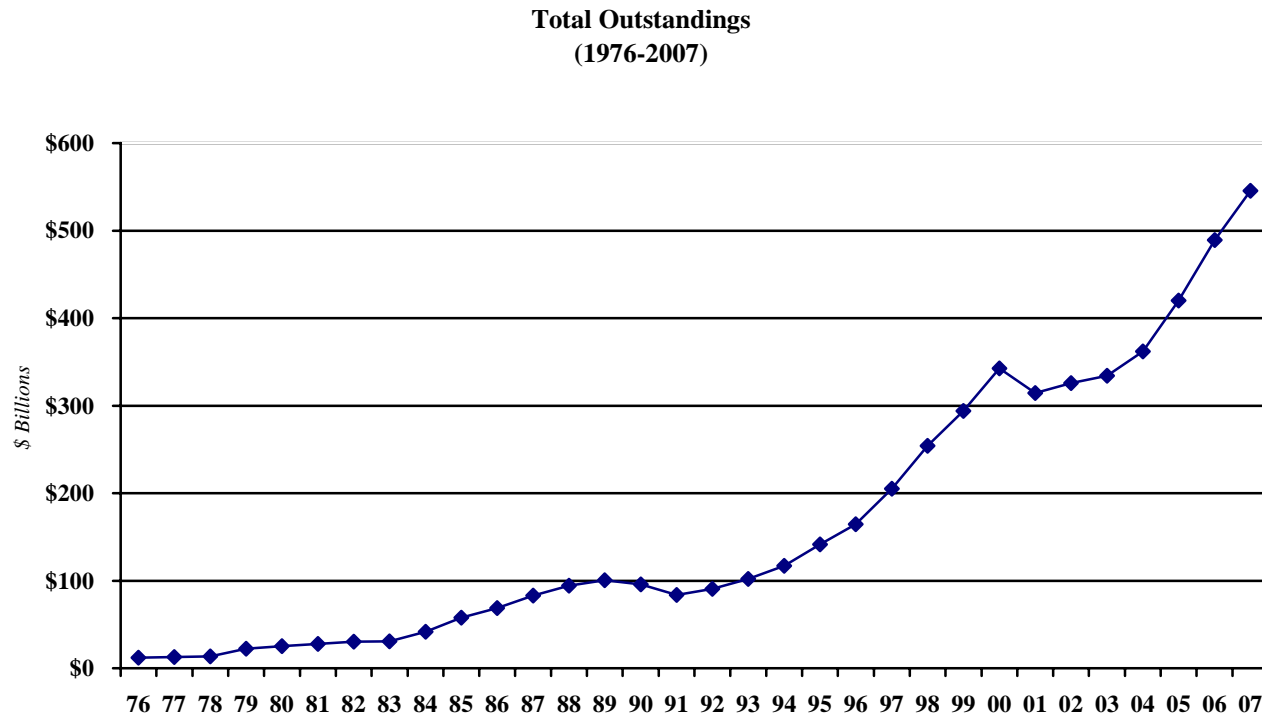




## ASSET-BASED LENDING SURVEY RESULTS (Cont.)

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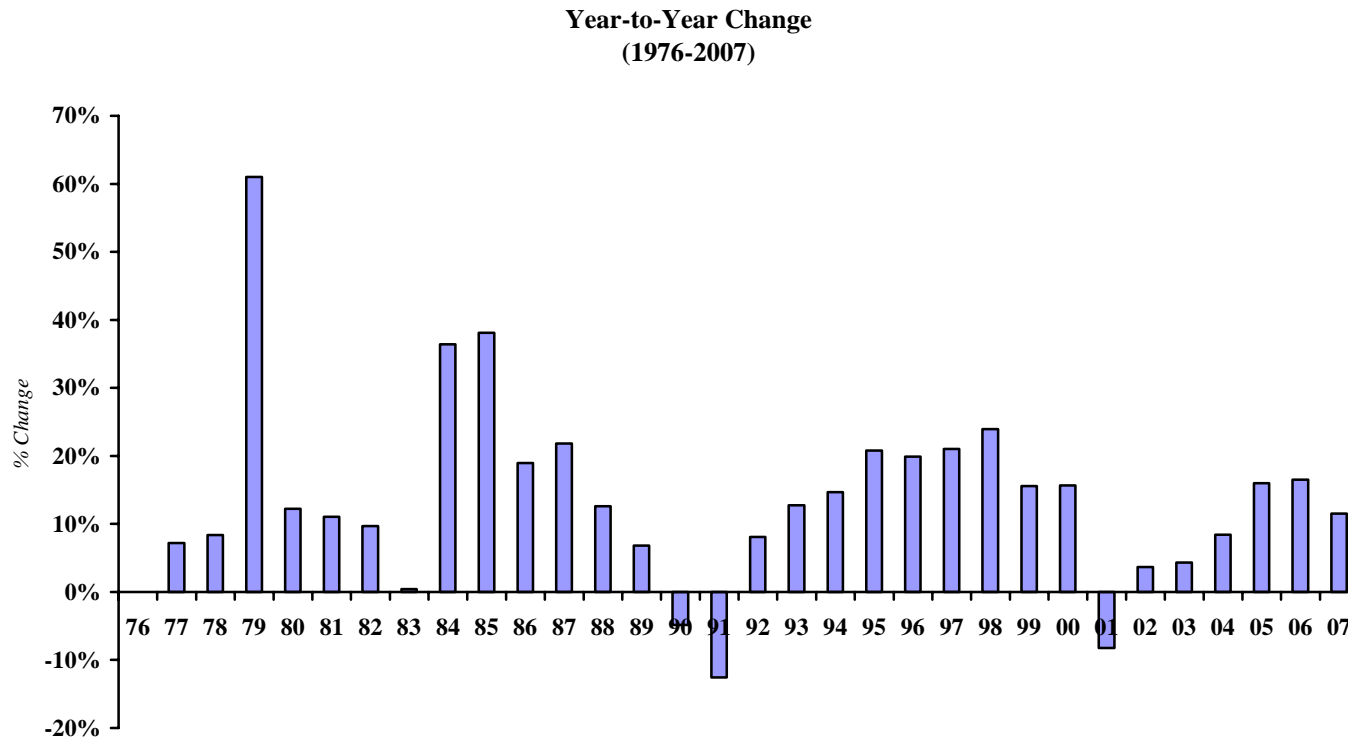
In 2007, the asset-based lending industry sustained its 30-year rise.



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

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Some slowing of industry growth in 2007 was consistent with the pattern seen during past periods of economic slowdown.



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

### Total Outstandings (1976-2007)

Year	Total Outstandings (\$ Billions)	Percentage Change vs. Last Year (%)
2007	\$545.0 <sup>(1)</sup>	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 (2003-2007)

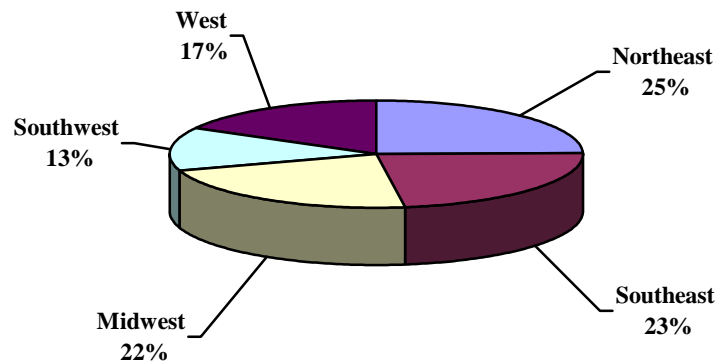
<sup>(2)</sup>Total outstandings, monthly average (1976-2003)

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

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The Northeast continued to be the largest region in terms of asset-based loans outstanding, followed closely by the Southeast and Midwest.

Use of asset-based loans was significant in all regions.



*"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*

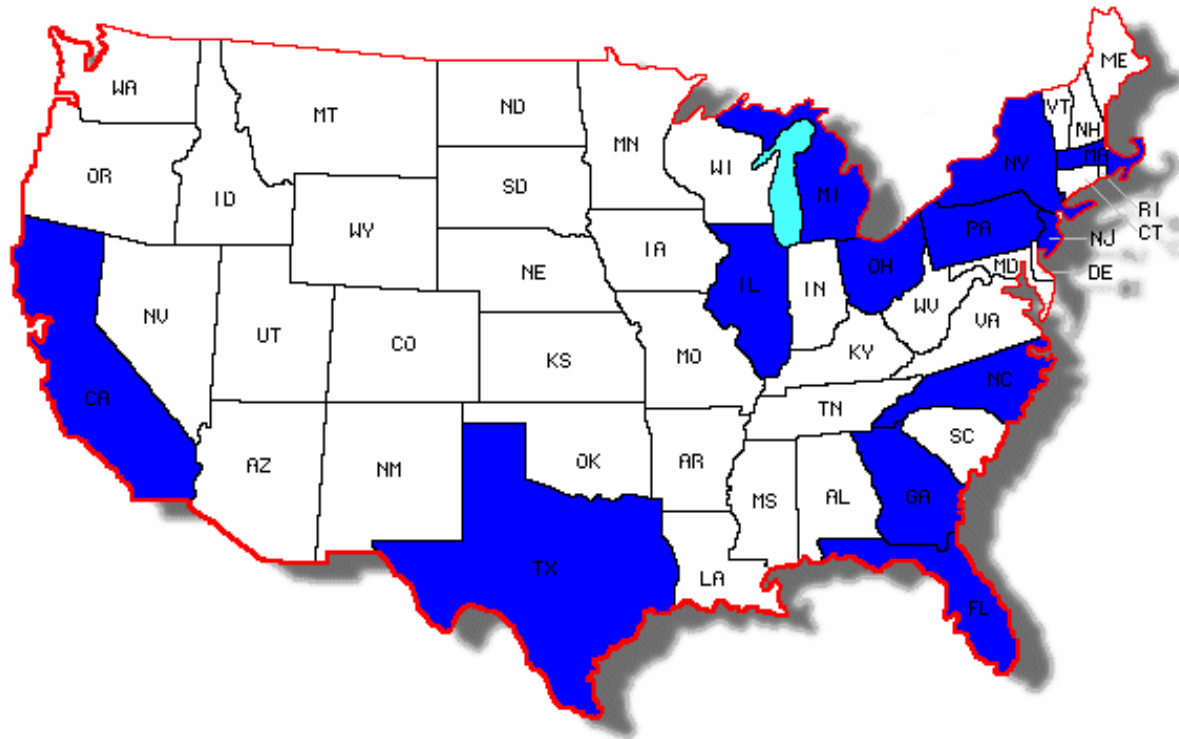
*"Southwest" includes AR, CO, LA, NM, OK, TX*

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

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

Twelve states accounted for nearly 65% of total asset-based loans outstanding in 2007.

California again led all states in the use of asset-based loans.



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

### *State-by-State Breakdown of Asset-Based Loans Outstanding (\$ Millions)*

West		Southwest		Midwest		Southeast		Northeast	
Alaska	\$113 MM	Arkansas	\$3,236 MM	Iowa	\$2,853 MM	Alabama	\$9,194 MM	Connecticut	9,785 MM
Arizona	9,280	Colorado	11,290	Illinois	25,912	District of Columbia	1,557	Delaware	1,661
California	63,766	Louisiana	6,401	Indiana	6,593	Florida	25,381	Massachusetts	15,935
Hawaii	382	New Mexico	1,192	Kansas	2,244	Georgia	26,321	Maine	1,566
Idaho	583	Oklahoma	5,158	Michigan	13,012	Kentucky	3,749	New Hampshire	2,740
Nevada	3,348	Texas	40,933	Minnesota	10,734	Maryland	5,593	New Jersey	28,147
Oregon	6,271			Missouri	14,717	Mississippi	3,879	New York	42,917
Utah	4,149			Montana	278	North Carolina	19,475	Pennsylvania	28,939
Washington	6,750			North Dakota	339	South Carolina	8,959	Rhode Island	992
				Nebraska	1,322	Tennessee	8,550	Vermont	1,583
				Ohio	21,258	Virginia	12,360		
				South Dakota	5,323	West Virginia	2,200		
				Wisconsin	14,821				
				Wyoming	1,253				
<b>Total</b>	<b>\$94,642MM</b>		<b>\$68,210MM</b>		<b>\$120,659MM</b>		<b>\$127,218MM</b>		<b>\$134,265MM</b>

Base: \$545 billion in 2007 loans outstanding

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

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

West		Southwest		Midwest		Southeast		Northeast	
Alaska	0.02 %	Arkansas	0.59%	Iowa	0.52%	Alabama	1.69%	Connecticut	1.80%
Arizona	1.70	Colorado	2.07	Illinois	4.75	District of Columbia	0.29	Delaware	0.30
California	11.70	Louisiana	1.17	Indiana	1.21	Florida	4.66	Massachusetts	2.92
Hawaii	0.07	New Mexico	0.22	Kansas	0.41	Georgia	4.83	Maine	0.29
Idaho	0.11	Oklahoma	0.95	Michigan	2.39	Kentucky	0.69	New Hampshire	0.50
Nevada	0.61	Texas	7.51	Minnesota	1.97	Maryland	1.03	New Jersey	5.16
Oregon	1.15			Missouri	2.70	Mississippi	0.71	New York	7.87
Utah	0.76			Montana	0.05	North Carolina	3.57	Pennsylvania	5.31
Washington	1.24			North Dakota	0.06	South Carolina	1.64	Rhode Island	0.18
				Nebraska	0.24	Tennessee	1.57	Vermont	0.29
				Ohio	3.90	Virginia	2.27		
				South Dakota	0.98	West Virginia	0.40		
				Wisconsin	2.72				
				Wyoming	0.23				
<b>Total</b>	<b>17.36%</b>		<b>12.51%</b>		<b>22.13%</b>		<b>23.35%</b>		<b>24.62%</b>

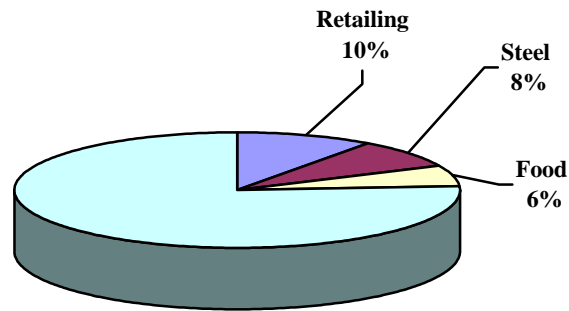
Base: \$545 billion in 2007 loans outstanding

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

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The top industries utilizing asset-based loans in 2007 included retailing, steel and food.

The retailing industry was a major user of asset-based loans in 2007.



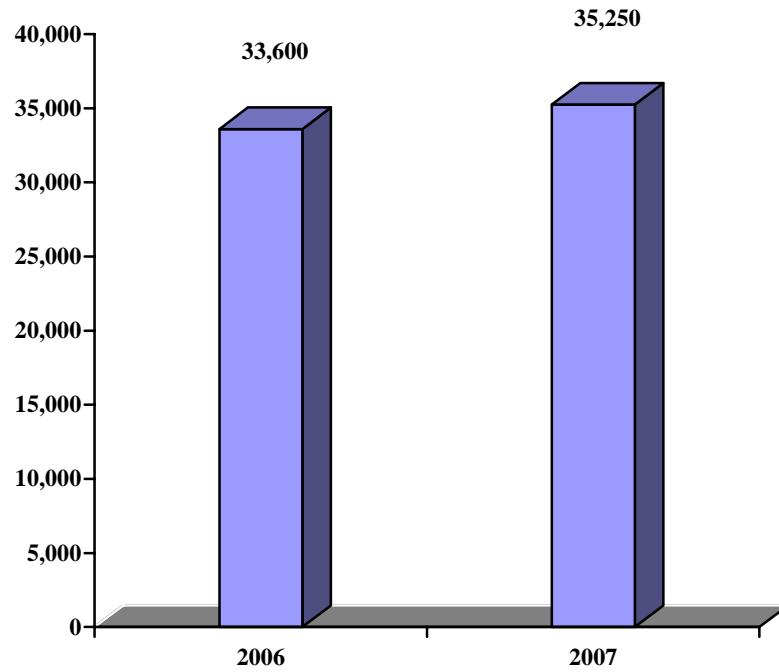


## ASSET-BASED LENDING SURVEY RESULTS (Cont.)

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The number of full-time employees among the many organizations engaged in various forms of asset-based lending exceeded 35,000 in 2007.

Lender headcount increased in 2007.



# FACTORING SURVEY RESULTS

Factoring volume grew to \$135.5 billion in 2007, a 6.5% increase over 2006.

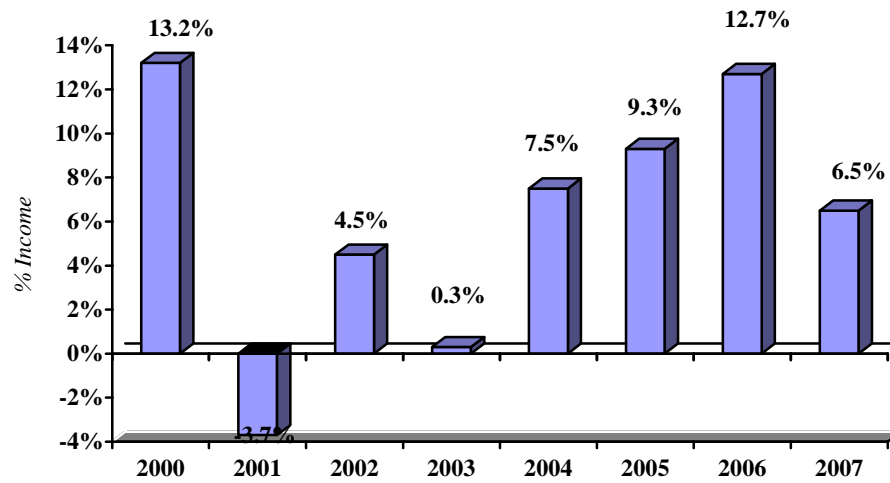
The factoring industry achieved another record year in 2007.



## FACTORING SURVEY RESULTS (Cont.)

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The rate of growth for factoring slowed down somewhat in 2007.



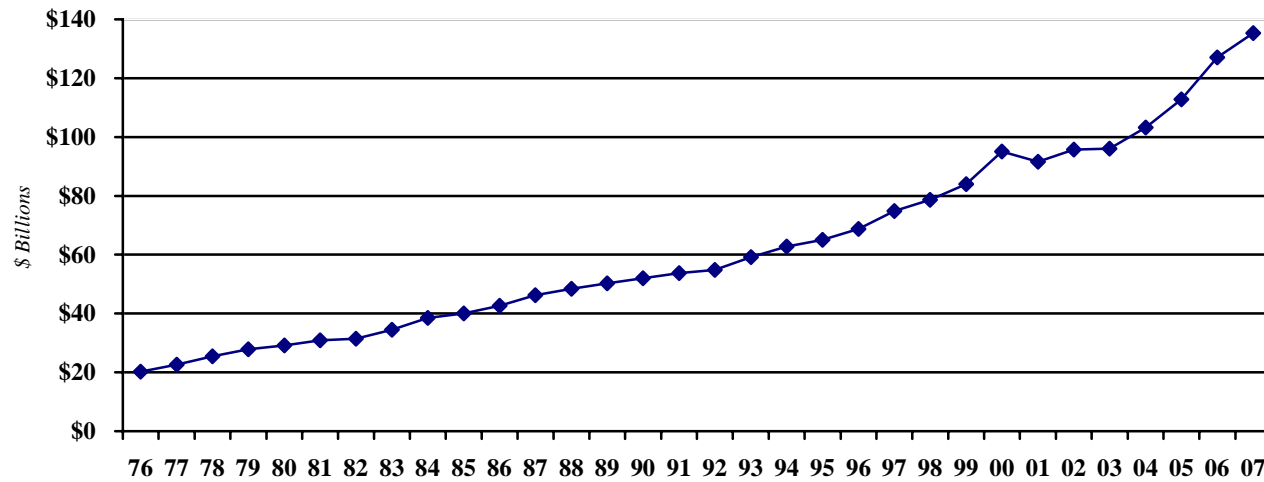
Slowing growth in 2007 may have reflected a more conservative approach by factors in approving credit.

## FACTORING SURVEY RESULTS (Cont.)

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Factoring sustained its 30-year pattern of growth in 2007.

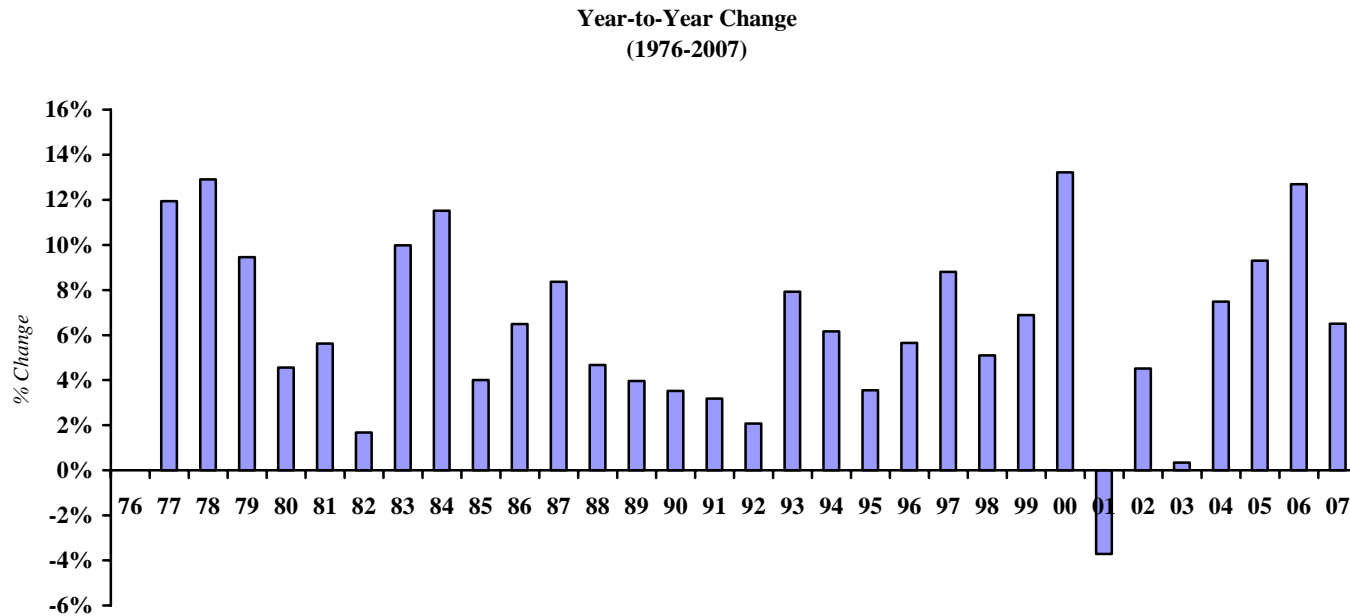
Annual Factoring Volume  
(1976-2007)



## FACTORING SURVEY RESULTS (Cont.)

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Factoring growth in 2007 was consistent with the median year-to-year industry change (6.2%) since 1977.



## FACTORING SURVEY RESULTS (Cont.)

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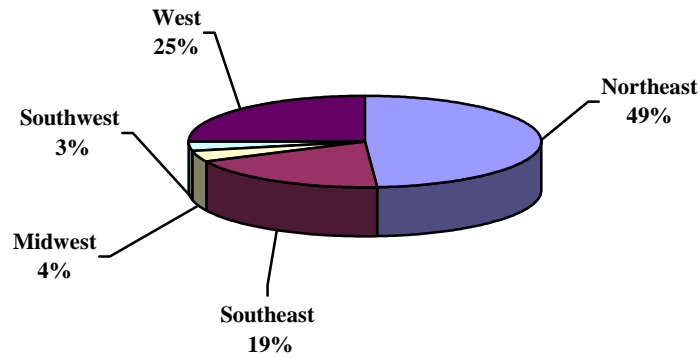
### Annual Factoring Volume (1976-2007)

Year	Total Factoring (\$ Billions)	Percentage Change vs. Last Year (%)
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.)

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The Northeast region again was the largest U.S. market for factoring, followed by the West.



The factoring industry was still centered in the Northeast.

*"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*

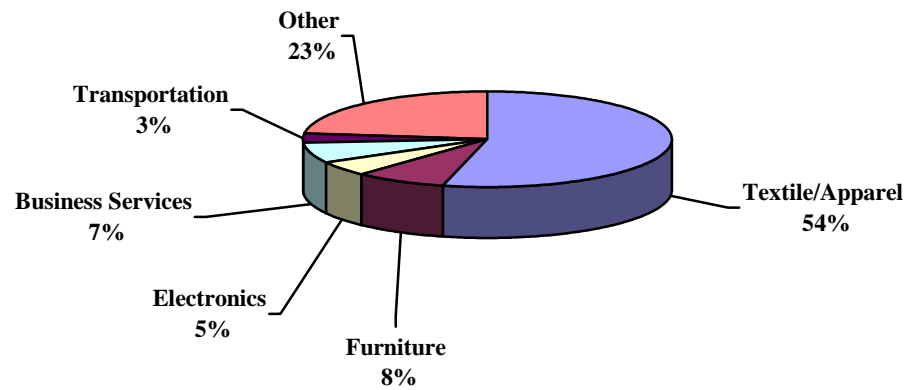
*"Southwest" includes AR, CO, LA, NM, OK, TX*

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

## FACTORING SURVEY RESULTS (Cont.)

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The textile/apparel industry was again the largest client market.



The traditional factoring markets continued to comprise the majority of factoring volume in 2007.

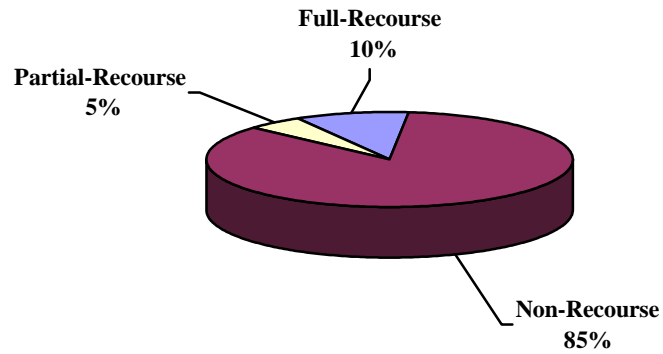


## FACTORING SURVEY RESULTS (Cont.)

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85% of factoring was again conducted on a non-recourse<sup>(1)</sup> basis.

**Non-recourse factoring was dominated by the major factors.**



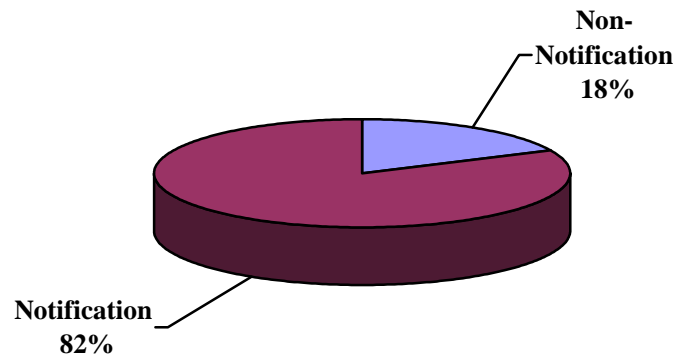
<sup>(1)</sup>Factoring is largely the outright purchase of accounts receivable by a factor on a “non-recourse” basis. “Non-recourse” only applies to the inability of the client’s customer to pay for credit reasons. Should disputes arise as to the quality and quantity of merchandise ordered, etc., then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

## FACTORING SURVEY RESULTS (Cont.)

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Non-notification factoring remained a small component of the factoring service.

Factoring was largely on a notification basis in 2007.



## FACTORING SURVEY RESULTS (Cont.)

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Retailers accounted for most of the customer (account debtor) base in 2007.

Retailer customers were less important to the smaller factoring organizations.

