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Small Businesses Opening Doors, But Denied Funding

Some small businesses are finding alternative financing after the bank says “No”

Bethesda, MD – January 27, 2011 – According to many of the latest reports, including the Employment Situation Summary issued by the US Department of Labor earlier this month, the job markets are starting to gain momentum.

As consumers cautiously open their wallets, small businesses, the backbone of the economy for job creation, are poised to expand. But many of the thousands of small businesses that were born during the Great Recession are faced with a new dilemma: they are ready for growth, but can't get the funding to hire new employees and purchase inventory because banks are still reluctant to loan money.

“The traditional banking approach is that if you want financing, a small business must meet the following criteria: be in business for two to three years, be profitable and have an accepted business model,” says David Banfield, president of The Interface Financial Group (IFG). “Right now, thousands of small businesses that have just opened their doors don't yet qualify on these levels, but they desperately need more cash to grow. So, because the banks won't loan money, small business owners are forced to look at alternatives.”

IFG is an international provider of short-term working capital via invoice discounting and has more than one hundred franchises worldwide that work with small businesses in their communities.

IFG franchises are the next stop for many small businesses that are told, “no,” by their bank. As a result, IFG is seeing a spike in global demand for their services.

How it Works

As an invoice discounter, IFG franchisees purchase a percentage of their clients' verified receivables and provides them with access to instant capital usually within 2 -4 business days. Once the invoice is paid to IFG by the client's customer the transaction is completed. This form of short-term financing offers small business owners the opportunity to access cash quickly without having to wait for their outstanding invoices to be paid.



Invoice discounting is hugely popular among countries in the European Union and is a regular practice with large enterprises in the United States. It is gaining traction amongst small businesses in the US because it is flexible; it can be used as needed.

“Small businesses are attracted to this model because they can get access to cash quickly, and the commitment isn’t permanent,” Banfield said. “It is transactional, not a revolving loan, so the process can be repeated as frequently or infrequently as the business owner needs.”

IFG has been established for 39 years and is consistently ranked one of the top franchises among *Entrepreneur* magazine.

The State of Small Business in the United States:

- **Small firms accounted for 65 percent (or 9.8 million) of the 15 million net new jobs created between 1993 and 2009.**

Much of the job growth is from fast-growing high-impact firms, which represents about 5-6 percent of all firms and are on average 25 years old. - *Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Business Employment Dynamics; Advocacy-funded research by Zoltan Acs, William Parsons and Spencer Tracy, 2008*

- **Small businesses rely heavily upon owner investment and bank credit, averaging about \$80,000 a year for young firms.** Startups rely about equally on owners’ cash injections into the business and bank credit; young firms receive about three-quarters of their funds from banks via loans, credit cards, and lines of credit. One-tenth of startups and about a third of young firms do not use capital injections. - *Source: Kauffman Foundation, An Overview of the Kauffman Firm Survey: Results from the 2004–2008 Data, (Alicia Robb, E.J. Reedy, Janice Ballou, David DesRoches, Frank Potter, Zhanyun Zhao), May 2010.*

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About the Interface Financial Group (www.interfacefinancial.com)

The Interface Financial Group (IFG) is North America’s largest alternative funding source for small business. IFG provides short term working capital funding in the form of a unique Invoice Discounting service. The company serves clients in the manufacturing, service and construction sectors. Interface operates from a base of more than 150 franchise offices in Australia, Canada, New Zealand, Singapore, the Republic of Ireland, the United Kingdom and the United States. IFG’s innovative Invoice Discounting service is a fast and easy way for small businesses to turn receivables into cash.

For more information visit: www.interfacefinancial.com or contact IFG at 800.387.0860, dtb@interfacefinancial.com.