

Secured Finance Network



An association of professionals
putting capital to work

Annual Asset-Based Lending and Factoring Surveys, 2009

Non-Member Edition

May 17, 2010

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

Secured Finance Network
370 Seventh Avenue (Suite
1801) New York, NY 10001
212-792-9390

TABLE OF CONTENTS

	Page
INTRODUCTION	1
SURVEY HIGHLIGHTS	2
ASSET-BASED LENDING SURVEY RESULTS	4
FACTORING SURVEY RESULTS	15

INTRODUCTION

- **The Secured Finance Network is pleased to present the results of the Annual Asset-Based Lending and Factoring Surveys for 2009.**
- **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 other organizations engaged in various aspects of business-to-business asset-based lending and factoring.**
- **The survey results herein are based on extrapolations of data obtained from SFNet members and other 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. These organizations include commercial banks, thrifts, credit unions, independent finance companies, captive finance companies, hedge funds, floorplanners, and tranche B/junior lenders.
 - Under a broad definition of “asset-based lending,” many bank 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 primarily secured by inventory and subject to periodic field examinations.

SURVEY HIGHLIGHTS

Asset-Based Lending

The U.S. asset-based lending industry amounted to \$480 billion in loans outstanding at year-end 2009.

In 2009, the annual rate of growth of asset-based lending was negative for the first time since 2001.

The Northeast and Southeast regional asset-based lending markets accounted for more than 50% of loans outstanding in 2009.

Three states (California, New York, and Texas) represented nearly 25% of total asset-based loans outstanding.

The U.S. asset-based lending market was comprised of an estimated 80,000 borrowers in 2009.

SURVEY HIGHLIGHTS

Factoring

Factoring industry volume also declined in 2009.

The Northeast U.S. again accounted for almost 50% of factoring volume.

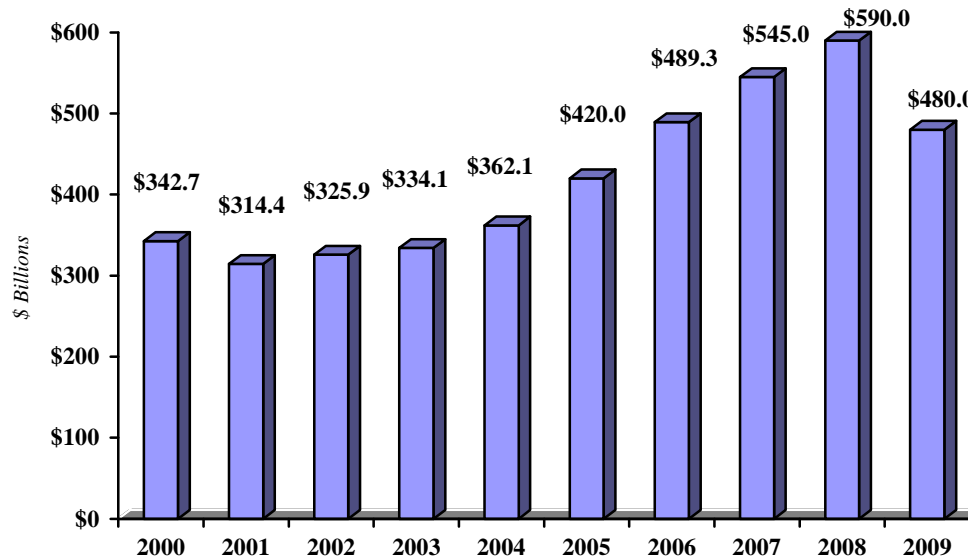
The textile/apparel industry continued to be the largest client industry for factors.

More than 75% of factoring was conducted on a non-recourse basis in 2009. Full-recourse factoring was mainly provided by smaller factoring organizations.

Existing clients of factors stood out as a significant source of new-business referrals in 2009.

ASSET-BASED LENDING SURVEY RESULTS

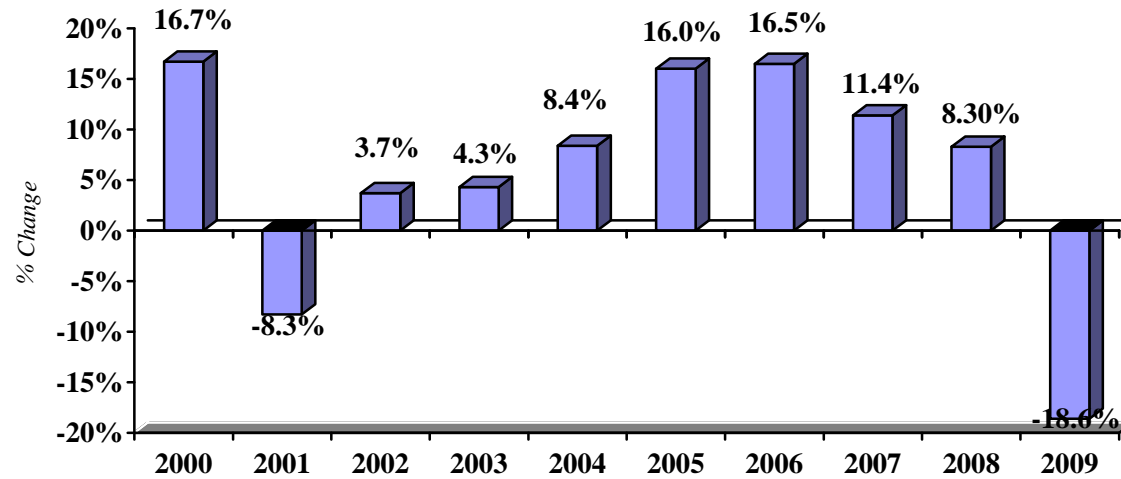
The U.S. asset-based lending industry amounted to an estimated \$480 billion in loans outstanding at year-end 2009.



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

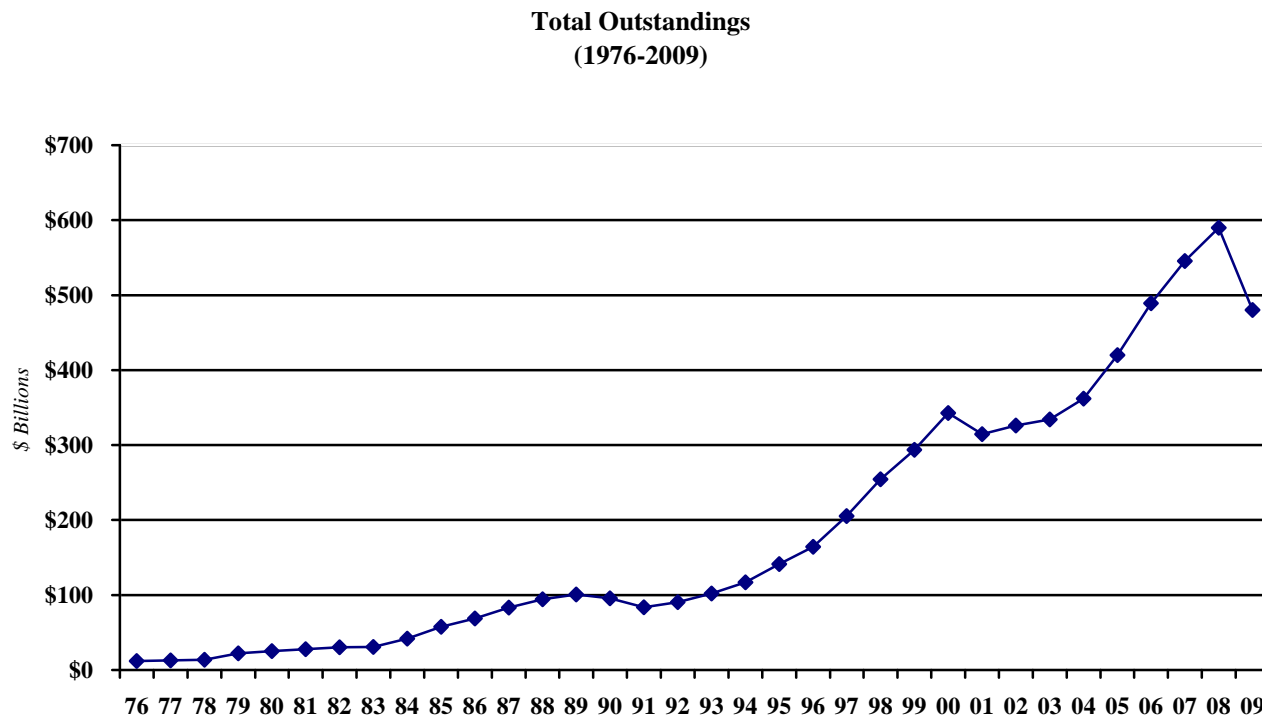
ASSET-BASED LENDING SURVEY RESULTS (Cont.)

Asset-based loans outstanding declined 18.6% in 2009. The annual rate of growth of asset-based lending was negative for the first time since 2001.



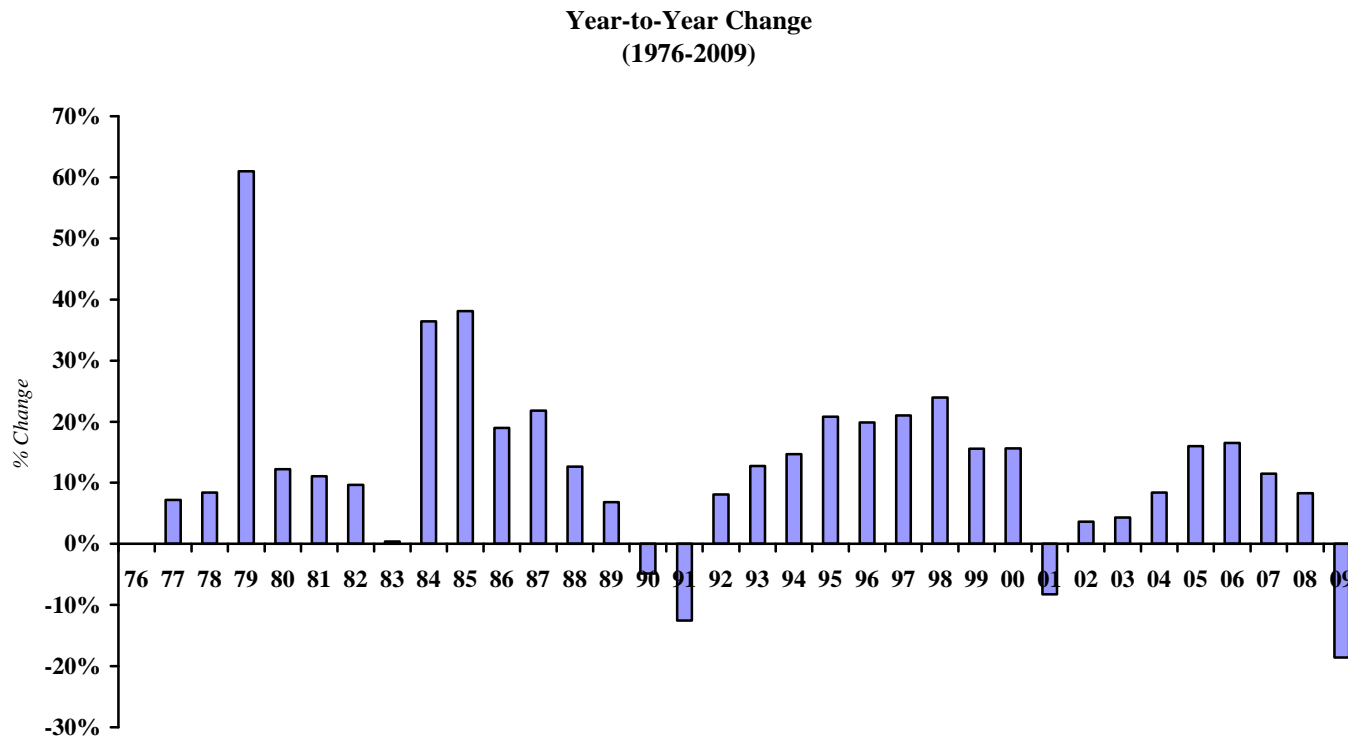
ASSET-BASED LENDING SURVEY RESULTS (Cont.)

The growth of the asset-based lending industry since 1976 has reflected economic recessions.



ASSET-BASED LENDING SURVEY RESULTS (Cont.)

The asset-based lending market downturn in 2009 was the steepest since 1976 when the SFNet first started collecting market data.



ASSET-BASED LENDING SURVEY RESULTS (Cont.)

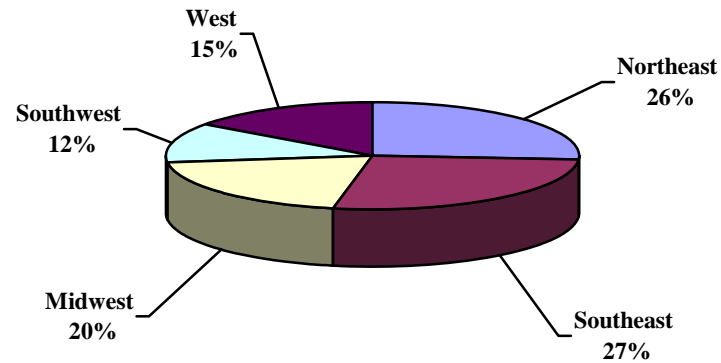
Total Outstandings (1976-2009)		
Year	Total Outstandings (\$ Billions)	Percentage Change vs. Last Year (%)
2009	\$480.0 ⁽¹⁾	-18.6%
2008	590.0	8.3
2007	545.0	11.4
2006	489.3	16.5
2005	420.0	16.0
2004	362.1	8.4
2003	334.1	2.5
2002	325.9 ⁽²⁾	3.7
2001	314.4	-8.2
2000	342.7	16.7
1999	293.8	15.6
1998	254.2	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	-

⁽¹⁾Total outstandings, year-end (2003-2009)

⁽²⁾Total outstandings, monthly average (1976-2003)

ASSET-BASED LENDING SURVEY RESULTS (Cont.)

The Northeast and Southeast regional markets again represented more than 50% of asset-based loans outstanding in 2009.



"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

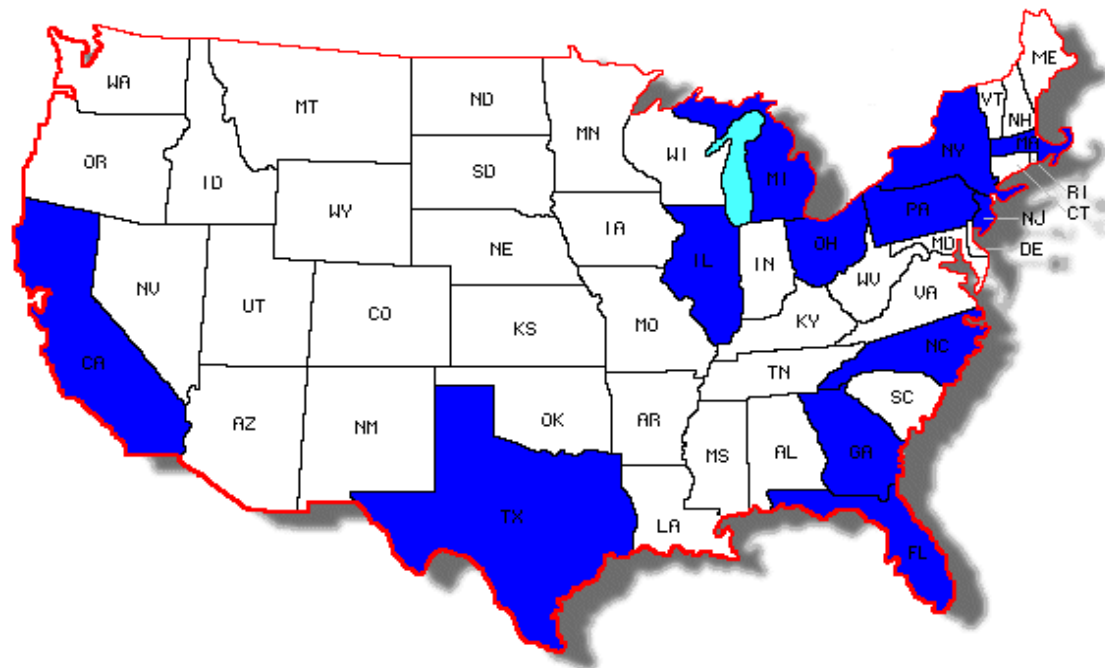
"Midwest" includes IA, IL, IN, KS, MI, MN, MO, MT, ND, NE, OH, SD, WI, WY

"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.)

Three state markets (California, New York and Texas) represented almost 25% of total asset-based loans outstanding in 2009. California regained its position as the largest state market in 2009.



NB: 12 largest state markets highlighted in blue

ASSET-BASED LENDING SURVEY RESULTS (Cont.)

State-by-State Percentage Breakdown of Asset-Based Loans Outstanding

West		Southwest		Midwest		Southeast		Northeast	
Alaska	0.1%	Arkansas	0.5%	Iowa	0.4%	Alabama	1.6%	Connecticut	1.5%
Arizona	1.4	Colorado	2.4	Illinois	5.2	District of Columbia	0.1	Delaware	0.4
California	9.6	Louisiana	1.2	Indiana	1.6	Florida	6.1	Massachusetts	2.8
Hawaii	0.1	New Mexico	0.4	Kansas	0.5	Georgia	5.4	Maine	0.3
Idaho	0.2	Oklahoma	0.6	Michigan	2.8	Kentucky	0.9	New Hampshire	0.6
Nevada	0.8	Texas	7.1	Minnesota	2.3	Maryland	1.4	New Jersey	5.9
Oregon	0.9			Missouri	2.1	Mississippi	0.5	New York	8.1
Utah	0.7			Montana	0.1	North Carolina	4.1	Pennsylvania	5.8
Washington	1.6			North Dakota	0.1	South Carolina	2.2	Rhode Island	0.4
				Nebraska	0.3	Tennessee	2.2	Vermont	0.1
				Ohio	3.0	Virginia	1.9		
				South Dakota	0.1	West Virginia	0.3		
				Wisconsin	1.2				
				Wyoming	0.1				
Total	15.4%		12.2%		19.8%		26.7%		25.9%

Base: Est. \$480 billion in 2009 loans outstanding.

ASSET-BASED LENDING SURVEY RESULTS (Cont.)

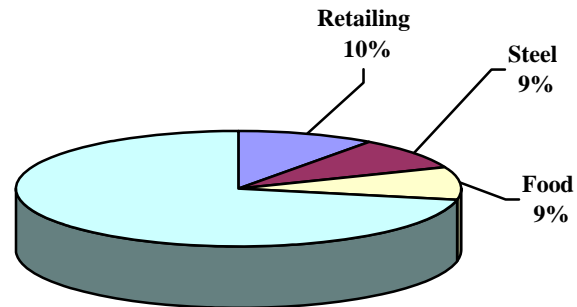
State-by-State Breakdown of Asset-Based Borrowers

West		Southwest		Midwest		Southeast		Northeast	
Alaska	115	Arkansas	490	Iowa	450	Alabama	1,350	Connecticut	1,135
Arizona	1,015	Colorado	1,210	Illinois	3,520	District of Columbia	285	Delaware	220
California	8,300	Louisiana	650	Indiana	1,600	Florida	4,930	Massachusetts	1,915
Hawaii	35	New Mexico	150	Kansas	510	Georgia	5,930	Maine	270
Idaho	200	Oklahoma	420	Michigan	2,450	Kentucky	660	New Hampshire	325
Nevada	410	Texas	5,650	Minnesota	1,735	Maryland	1,225	New Jersey	4,660
Oregon	800			Missouri	1,275	Mississippi	425	New York	5,560
Utah	735			Montana	75	North Carolina	3,515	Pennsylvania	3,695
Washington	835			North Dakota	460	South Carolina	1,250	Rhode Island	260
				Nebraska	285	Tennessee	1,600	Vermont	115
				Ohio	3,515	Virginia	2,100		
				South Dakota	50	West Virginia	410		
				Wisconsin	1,160				
				Wyoming	65				
Total	12,445		8,570		17,150		23,680		18,155
	15.6%		10.7%		21.4%		29.6%		22.7%

Base: Est. 80,000 asset-based borrowers, 2009.

ASSET-BASED LENDING SURVEY RESULTS (Cont.)

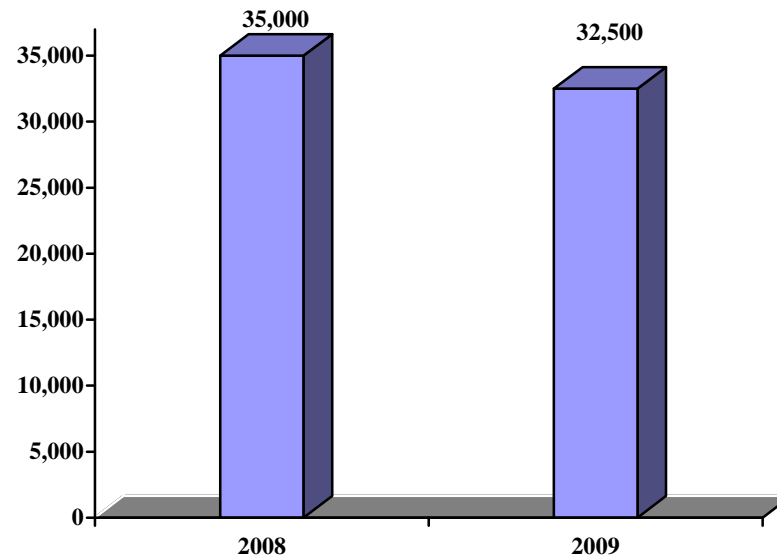
The retailing, steel and food industries were again the top 3 asset-based borrower industries.



Automotive-related and finance companies were more significant borrower segments in 2009.

ASSET-BASED LENDING SURVEY RESULTS (Cont.)

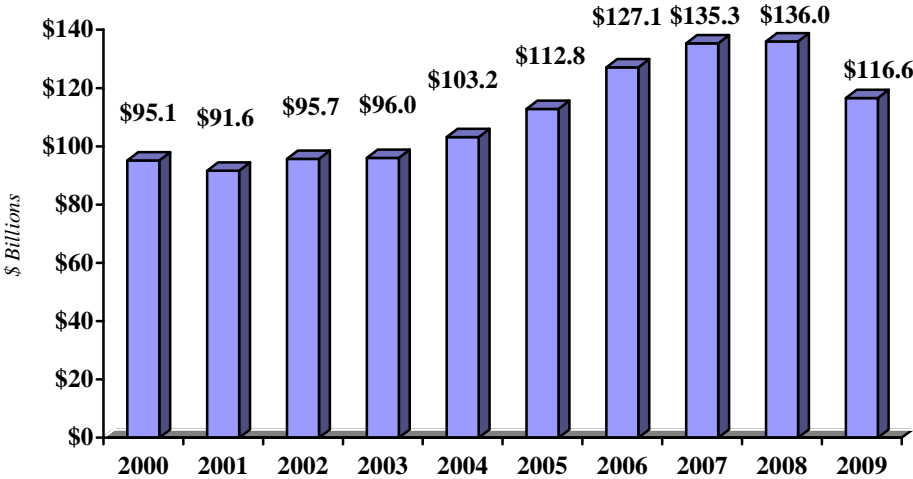
The number of full-time employees among the many organizations engaged in various forms of asset-based lending declined in 2009.



Lender employee reduction in 2009 reflected the decline in asset-based loans outstanding as well as some major mergers.

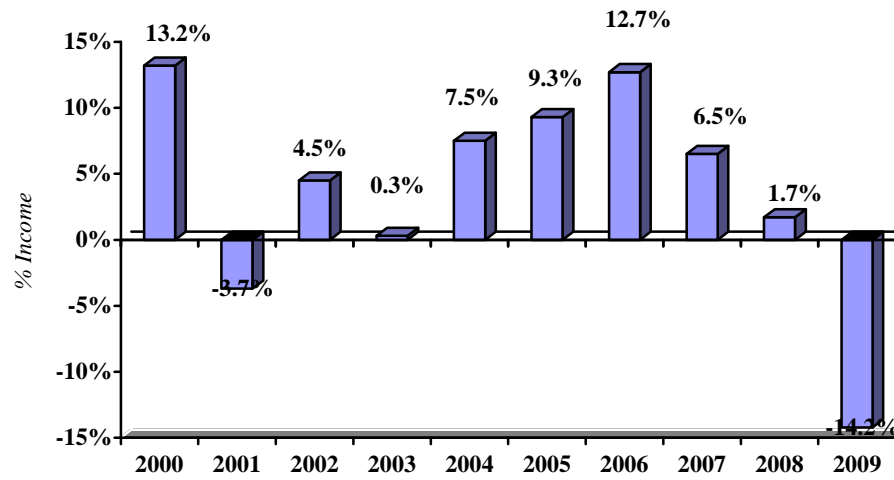
FACTORING SURVEY RESULTS

Factoring volume amounted to an estimated \$116.6 billion in 2009.



FACTORING SURVEY RESULTS (Cont.)

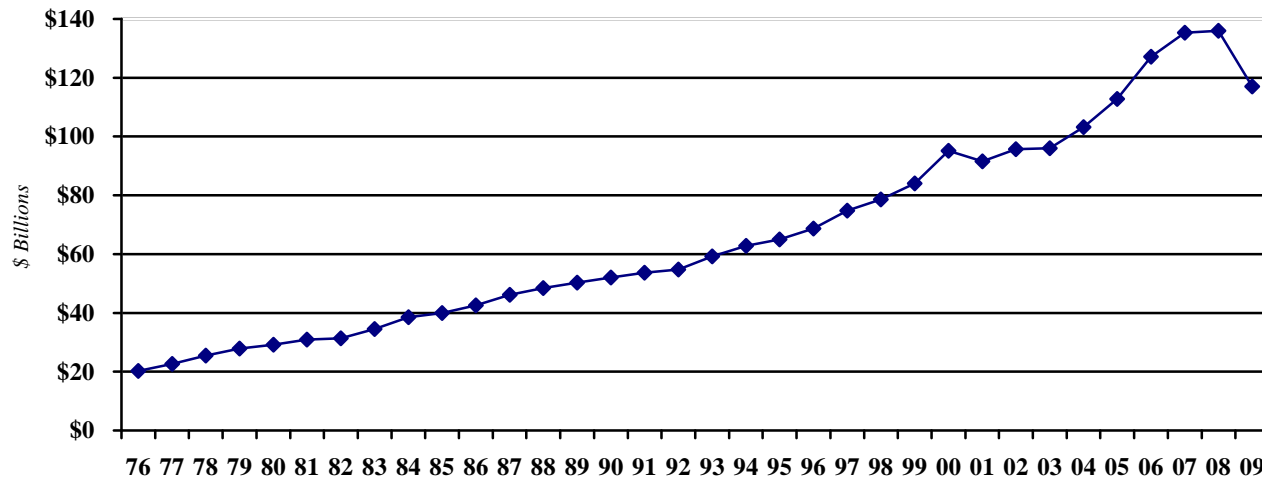
Factoring volume in 2009 decreased 14.2% from the previous year.



FACTORING SURVEY RESULTS (Cont.)

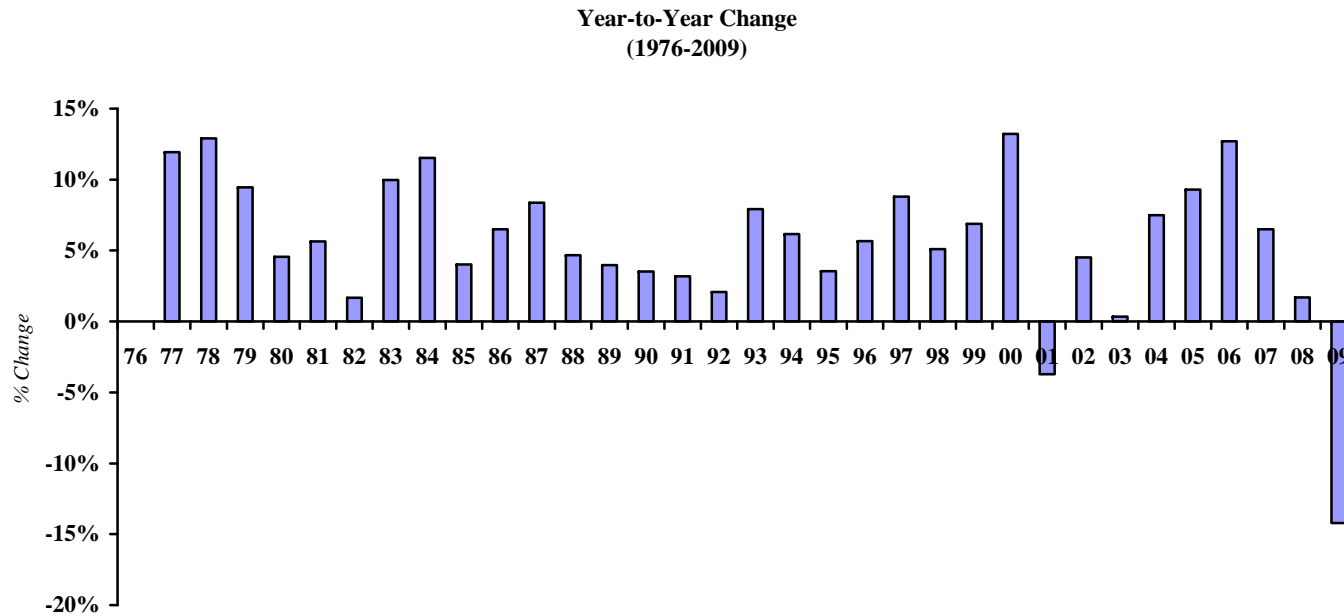
Factoring volume growth since 1976 has also reflected economic recessions.

Annual Factoring Volume
(1976-2009)



FACTORING SURVEY RESULTS (Cont.)

The decline in volume in 2009 was more significant than the last downturn in 2001.



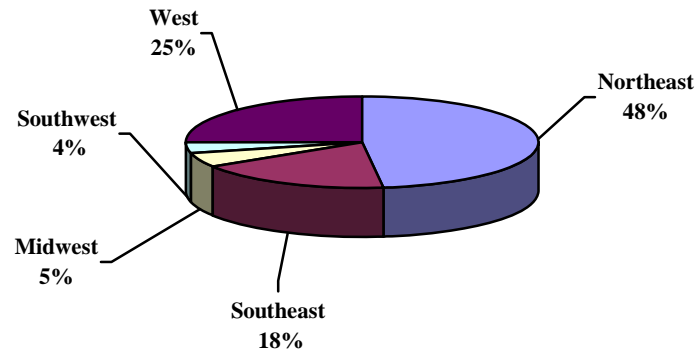
FACTORING SURVEY RESULTS (Cont.)

Annual Factoring Volume (1976-2009)

Year	Total Factoring (\$ Billions)	Percentage Change vs. Last Year (%)
2009	\$116.6	-14.2%
2008	136.0	1.7
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 region again accounted for almost 50% of factoring volume.



"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

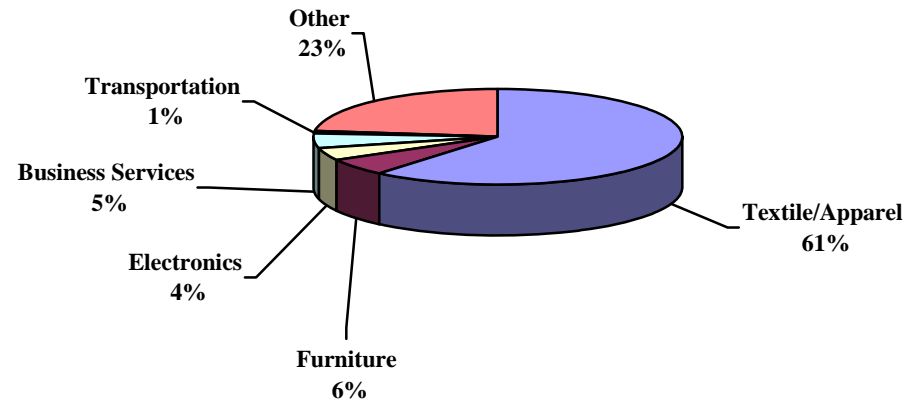
"Midwest" includes IA, IL, IN, KS, MI, MN, MO, MT, ND, NE, OH, SD, WI, WY

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

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

FACTORING SURVEY RESULTS (Cont.)

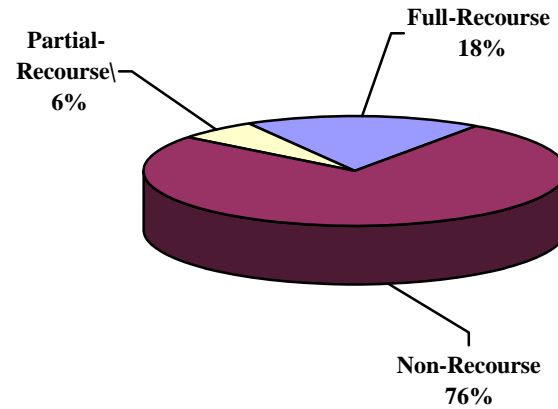
More than 60% of factored volume in 2009 was accounted for by clients in the textile/apparel industries.



Clients selling apparel and other goods to retailers were still the most important market for factors in 2009.

FACTORING SURVEY RESULTS (Cont.)

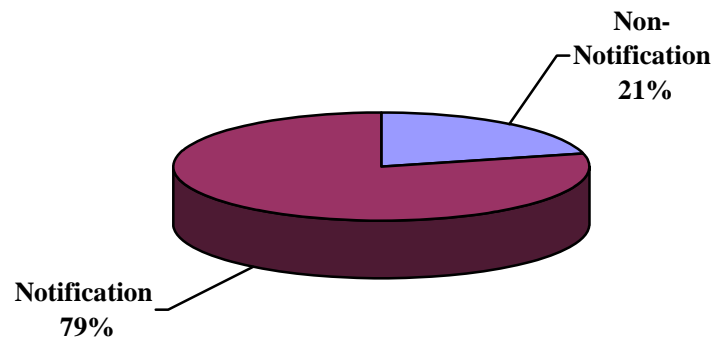
75% of factoring was conducted on a non-recourse⁽¹⁾ basis in 2009.



⁽¹⁾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.)

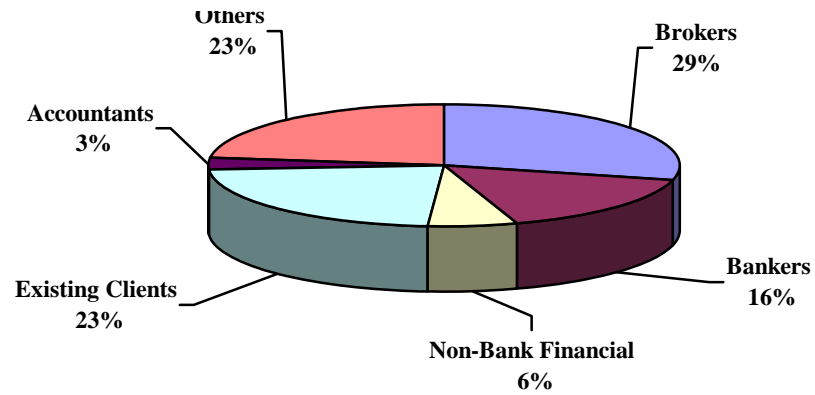
Factoring continued to be conducted mainly (79%) on a notification basis in 2009.



The larger factors had a higher proportion of non-notification factoring in 2009.

FACTORING SURVEY RESULTS (Cont.)

The major sources of referrals for new factoring clients in 2009 were brokers and existing clients.



Base: Number of new clients, 2009