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Invoice Financing

When a small business sells its invoices to a third party, it is essentially using the invoices as collateral to secure a loan.

The third party pays the business a percentage of the value of the invoices upfront and then collects payment from the customers when the invoices are due. The business is responsible for collecting the payments from the customers and forwarding them to the invoice financer, plus any fees or charges associated with the financing arrangement.

There are a few different options for businesses looking to sell their invoices, including invoice factoring and invoice discounting.

1. Invoice factoring involves the sale of the invoices to a third party, who assumes responsibility for collecting payment from the customers.

2. Invoice discounting involves the business retaining responsibility for collecting payment from the customers, but the third party provides the financing upfront in exchange for a discount on the value of the invoices.

There are a few things to consider when selling invoices, such as the terms of the financing arrangement, the fees and charges associated with the financing, and the impact on the business's relationships with its customers.

It's important for businesses to carefully evaluate their options and choose the financing solution that best meets their needs.