



FACTORING IN FOCUS:

LEHNES DELIVERS EDUCATION & DIVERSIFIED SMALL BUSINESS LOAN OPTIONS AT VERSANT FUNDING

By **Grace A. Garwood**



INDUSTRY ICON

CHRIS LEHNES
Business Development Officer
Versant Funding

With a rich history of lending experience, Chris Lehnés utilizes factoring education and referral source marketing to enhance business development at Versant Funding and help commercial loan brokers diversify their alternative loan options for small business clients.

Chris Lehnés, business development officer at Versant Funding, has made it an ongoing personal challenge to educate financial professionals about factoring. “It’s not anybody’s first choice of financing. I talk to a lot of newly-minted brokers thinking about focusing on commercial real estate lines of credit or merchant cash. They don’t often plan to focus on factoring,” Lehnés says.

A greater awareness of the benefits of factoring can give commercial loan brokers a broader range of alternative credit options for small businesses. This is particularly relevant in the COVID-19 pandemic economy, as companies struggle to keep their doors open and many can no longer meet traditional credit parameters, Lehnés says.

"A lot of small businesses, all they know about finance is the bank. All they know is that if you need a loan, you go to the bank, and when the bank can't meet their needs, they're going to need help," Lehnies says. "Well-trained commercial loan brokers will be a great asset to small businesses in this market."

LEARNING THE LANDSCAPE

Lehnies' own career journey began at a bank, where he worked for a year and a half before being recruited by a non-bank lender. "I got hired as a documentation specialist at AT&T Capital in their SBA group, which also introduced me to SBA financing," Lehnies says. "And then I spent the next 15 years there."

AT&T Capital changed hands several times, eventually becoming CIT. Throughout that period, Lehnies worked in documentation, credit underwriting and operations management before moving into a leadership role where he oversaw lead generation, national accounts and direct marketing efforts.

From CIT, Lehnies moved to another non-bank lender doing SBA loans. In 2008, the company lost funding due to the credit crisis and let its entire team go. On his way out the door, Lehnies was approached by Mark Weinberg, currently president and CEO of Versant Funding, who ran an affiliated factoring group at the time. Lehnies agreed to begin looking for factoring deals for Weinberg until Lehnies could find a position in the SBA industry.

Lehnies found it appealing that Versant specialized in one thing: factoring. He learned a lot about the product over time and grew a nice sized book of business. After five years, Lehnies left Versant to join a company with a more diverse lending offering but eventually realized that Versant was where he belonged and returned in 2019.

MARKETING AUDIENCE MATTERS

Lehnies honed his business development skills at CIT, focusing on marketing to referral sources. In the factoring world, there is minimal benefit to marketing to business owners, as they are less familiar with what factoring is and when they should use it, Lehnies says. Instead, he focuses on intermediaries, advisors and trusted specialists.

"All my efforts are getting in front of, and speaking with, bankers, attorneys, consultants and coaches, and all those people that help small businesses get through their challenges, so that when one of their challenges could be met by factoring they can recommend what I do," Lehnies says. "Then I'm getting an introduction to a customer or a prospect, whoever has provided some endorsement of me."

These marketing efforts also support Lehnies' desire to have a broad network of referral sources to keep deal flow coming in. As a boutique factoring company, Versant targets "difficult deals" that other factors wouldn't normally pursue, including businesses with poor financial performance and credit issues or newly founded companies with no track record.

"We're not going to do dozens of deals a month like some factoring companies. We're going to do a handful of deals in a year and grow our portfolio slowly and deliberately," Lehnies says. "I know there are plenty of business development professionals out there in the industry that have a nice core group of referral sources that keep them busy. Instead, I just have a really huge network, some of which I might only hear from once a year, or even less, but that large network is enough to keep the pipeline going."

BRIDGING THE CREDIT GAP

By focusing on tougher deals, Versant Funding deals with short-term relationships lasting 24 months or fewer with the majority of its clients. "Sometimes they'll renew with us and stick around a little longer, but we fully acknowledge that we're a bridge," Lehnies says. "We're a way to get a business to the next step of their evolution, where they're stable enough to get bank financing, or they're large enough to go out and raise equity, or just that they're profitable and can move on to a cheaper form of financing."

Versant Funding is national in scope, with a preference for U.S.-based businesses with domestic receivables. Average annual revenue for its clients is usually between \$5 million and \$10 million, although the company can fund deals from \$100,000 to \$10 million per month in factoring volume, Lehnies says. Some of its clients are small businesses and others are middle market companies, while many are privately or family-owned, or have professional ownership with private equity backing. "We're fine with all of those structures, so our client base covers a pretty big range," Lehnies says.

LOOKING BEYOND COVID-19

Lehnies' immediate goal is figuring out the new world order and how the COVID-19 pandemic changed which deals to pursue. "Businesses that sell heavily into traditional retailers, that do a lot of work with the oil and gas industry, or the travel industry, those are all areas that looked great nine months ago that now we're very cautious about," Lehnies says.

In the long term, Lehnies expects to see a continuing pullback of credit from traditional sources across the industry as defaults and delinquencies increase. "When

lines come up for renewal, I think we're going to see banks being really careful," Lehnies says. "What we've seen in some previous recessions is that banks will work hard to hold on to the customers that they really want and will neglect or let go of the rest." This will create opportunities for non-traditional lenders to fill the gaps.

While Versant is well capitalized, many factors and non-bank lenders rely upon banks to provide them a line of credit to meet their funding needs, Lehnies says. "I wouldn't be surprised if we see some pretty good scrutiny of some of those lines of credit. Many small factoring companies are funded by other factors, some of which may have made some unwise choices during these times and might be struggling to continue to refactor some of their smaller partners," Lehnies says.

EDUCATING THE MARKET

Lehnies always keeps factoring education in the forefront so brokers can put it to their client's advantage when the time comes. "Factoring is not well known, and a lot of times what is known about factoring scares people," Lehnies says. "They've heard a bad story about some factor that was an 'evildoer' and did some things that they shouldn't have done, and that story goes everywhere." He sees the coming months as pivotal for re-education.

For commercial loan brokers looking to even out their own cash flow, building a book of factoring transactions goes a long way. "While it's great to close a real estate deal and get a nice big check at closing, that's one check," Lehnies says. "Factoring provides an ongoing commission. You close a factoring deal; you're going to get a commission monthly for the life of the deal." ■

ABOUT THE AUTHOR

Grace A. Garwood is a freelance writer and editor based in Brooklyn, NY.

Rita E. Garwood, editor in chief of *DealMaker*, interviewed Chris Lehnies for this article.



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