The **Equipment Salesperson's**

Guide to Leasing

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INTRODUCTION AND HISTORY

Most Companies Lease

About eight out of ten U.S. companies now lease some or all their equipment according to the Equipment Leasing Association of America (ELA). This is up from 64% in 1984 and the numbers are even higher in relation to emerging companies and /or high tech equipment.

ELA reports that annual leasing volume in the U.S. in 1996 was 168.9 billion (up from 128.9 billion in 1992). That's about 31% of all capital equipment acquired (up from 27% in 1985).

The Top Pros Use Leasing

The best equipment salespeople use leasing the most. Studies consistently show that sales reps in the top 20% of their organization have the highest percentage of lease transactions to cash purchase transactions.

Leasing is Not New

Leasing has been around for centuries. Records of lease transactions date back to before 2000 b.c. Early leases were for agricultural tools, oxen, land and water rights. References to leasing laws go back to Babylonian king Hammerabi in 1700 b.c.

In 450 b.c. the Muharu family of Nippur (near Babyon) began a banking and leasing house that dealt with land, oxen, agricultural equipment and seed. Leasing references can be found in the Greek, Roman, and Egyptian societies as well. Even medieval knights were known to have leased armor.

The first recorded leases of personal property in the U.S. occurred in the 1700's and provided for the leasing of horses, buggies and wagons.

With conventional financing hard to come by for expansion (sound familiar?), the growing railroads leased locomotives and rail cars from equipment trusts that sold shares to investors, The most widely used form of railroad financing was called the Philadelphia Plan, which allowed the transfer of ownership to the user on completion of the lease. This was the forerunner of conditional sale contracts and "lease-purchase" arrangements. In the early 1900's railroad leasing companies realized that some of their clients didn't want long tern control or ownership of rail cars, but rather short term use, and so provided shorter term contracts. Thus the operating, or "true" lease.

The Modern Era

Another interesting trend that developed was the desire of companies to protect their technologies by leasing, not selling their equipment. Bell Telephone provided phones on the basis as early as 1877, with others like Hughes tool (drill bits), U.S. Shoe Machinery (manufacturing equipment), IBM (computers) and Xerox (copiers) following. Eventually, however, the enforcement of federal antitrust legislation forced manufactures to offer their equipment for sale.

Independent lessors then sprung up to buy such equipment from the manufacturers themselves for customers. Many of these independent lessors formed alliances with equipment vendors to lease that vendor's equipment to their customers.

Eventually these independent leasing companies began providing leasing services directly to the lessee for a wide variety of equipment, not just those items that were formerly under manufacturers' rental programs.

Some manufacturers, not wanting to make the investment necessary to fund their own leasing programs, sought out these new "third party" leasing companies to provide lease programs for their equipment. A significant portion of the leasing done in the U.S. today continues to be done by such vendors referring customers to independent lessors.

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THE BENEFITS OF LEASING FOR THE CUSTOMER

Leasing offers your customer a variety of benefits and it is helpful to be familiar with them. This section will address these benefits.

Leasing is flexible

A lease can be structured in a variety of ways to match specific challenges.

For instance, lease payments can be "seasonally varied" to match uneven cash flow. They are made lower in the "off seasons" and higher the rest of the time, consideration in business such as commercial photography, agriculture and hospitality.

Payments can be tied to specific "project funding" with the bulk of the investment covered during the term of the committed project (at rates consistent with the cost of short term rentals on similar equipment), and the remainder at greatly reduced levels over an extended term after the initial project is completed.

This type of program is valuable to companies in the film and television fields, for instance, or for those dealing with defense or other contract bidding environments where the ability to maintain capacity in the absence of cash flow while "between contracts" can mean the difference between survival and failure.

"Step down" leases, where the payments reduce each year, are popular for high tech equipment because they better match the value curve of the equipment, enhance difficult credit situations and facilitate upgrades.

Leases with "step up" (lower payments to start) schedules come in handy for expansions where cash flow from the new equipment may take a while to develop or when costs must be kept low to match a limited budget near the end of a fiscal year.

Leasing allows you to customize a variety of terms to your client's particular circumstances. As long as they are a good credit risk, lessors will consider virtually any special request.

Leasing frees up cash

Leasing provides 100% financing. There are no down payments and no compensating balance requirements.

Furthermore, almost everything may be covered by a lease including shipping, installation, software, related equipment, furniture and even training costs. There is no need to tie up valuable working capital.

Because payments are matched closely to cash flow, excess cash isn't tied up in equipment, so it is available for use in more profitable investments. Companies with available cash can add sales people, increase marketing, take advantage of quantity buying opportunities, make acquisitions or invest in appreciating assets such as real estate.

Leasing Preserves Bank Lines

Leases do not generally impact your bank lines of credit.

Those lines of credit are invaluable for short needs and must be preserved for that purpose. Financing equipment on a bank line of credit, or even on a separate installment loan agreement with the bank, cuts into the availability of cash from that bank.

Leasing, on the other hand, is like opening an additional and separate line of credit, expanding, as opposed to restricting, your customer's financial resources.

Leases Offer Better Terms Than Bank Loans

Leases do not require substantial down payments and are forgenerally longer terms than bank loans.

There are no compensating balance requirements, floating interest rates or restrictive covenants, and as long as payments are being made as agreed, the leasing company, unlike the bank, can not arbitrarily call the loan if it suddenly feels uncomfortable in your client's industry.

In addition, bank loans often contain clauses cross collateralizing all business and personal assets, allow the filing of blanket liens to tie up all company assets (either owned at the time of the loan or acquired in the future) and permit periodic rate increases based on fluctuations in the bank's cost of money.

Leasing Can Save On Taxes

Because lease payments are a direct operating expense, they come out of pre-tax dollars, not after-tax profits.

Direct expensing leads to faster write-offs, freeing up more cash sooner than on a corresponding depreciation schedule.

This conserved capital can then be re-invested in the business with the profits from that investments further offsetting the net cost of the equipment acquisition.

Leasing Hedges Against Rapid Obsolescence

Leasing makes it easier for your customers to maintain state-of-art equipment and, therefore, easier for you to make your next sale.

With product life cycles shortening for most equipment, the ability to acquire new technology in order to remain competitive becomes extremely important. Leasing facilitates these upgrades because there are usually no penalties for the actual upgrade and because a large portion of the investment in the existing equipment has already been written off.

Also, "step down" leases can be structured to match the equipment value curve to the lease payout curve, so that the sale of the existing equipment provides proceeds to pay off the first lease obligation and the customer simply starts leasing the new equipment without substantial additional payment.

Leasing Fights Inflation

Even with the government fighting a constant battle to control inflation, costs keep rising. And, inflation both reduces the value of your customer's funds and raises the cost of new equipment. By committing to a fixed payment lease now, your customer locks in a lease payment for up to five years, no matter how much prices rise in the future.

Thus leasing allows your customer to pay for today's equipment with tomorrow's potentially cheaper dollars.

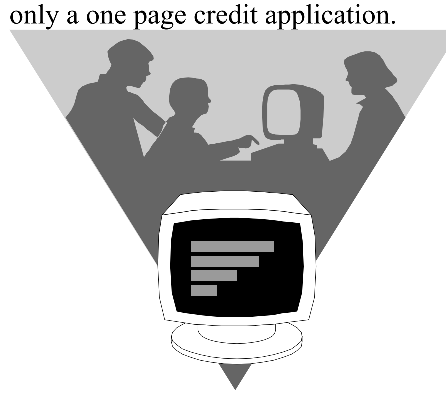
Leasing Keeps Equity Intact

Many growing companies consider the sale of stock to finance expansion, thereby diluting owners' equity.

Leasing can often make it possible for your customer to acquire the same equipment without having to give away part of his or her company to do so.

Leasing Is Easy And Convenient

Budgeting, bookkeeping and tax computations are simplified with leasing . Even the application process is much simpler. Most lease transactions for less than $75,000 worth of equipment require only a one page credit application.



Also, cost analysis is simplified with leasing. A sample of a Lease Cost Analysis computation follows. Note the ease in computing the investment down to cost per hour, or even cost per unit produced.

Prepare lease cost analysis illustrations for each of your minor equipment groups.

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TYPES OF LEASES

True Leases

This lease format is often called a "Tax Lease" because it is accepted by the IRS for direct expensing of payments.

In order to be accepted for such treatment by the IRS, the true lease must not pass title as part of the contract, nor offer bargain purchase or renewal options, nor be for disproportionately long terms. It is ideal for equipment whose value will drop rapidly due to use or technological advance (computers, for instance).

Because the payments on such a lease are directly expensed for tax purposes, the write-off of the investment is generally faster than under a sale agreement or with outright purchase. The resultant reduction of short term tax liability frees up cash, which is invested to offset a portion of the equipment cost. In a sense, the government "pays" for its portion of our customer's investment faster.

Capital Leases

This lease is sometimes called a "Pseudo Lease" (or the "Lease to Own" program) because it does not meet the requirements of a True Lease and is treated as an installment sales contract for tax purpose. Thus the equipment cost must be capitalized and depreciated over acceptable guideline periods, resulting in generally slower write-off.

These "Capital Leases" are most often advantageous when the equipment is expected to have substantial value at the end of the lease term (a machine tool, for instance). Your customer pays for the equipment over the lease term, after which he has the option to purchase the equipment or renew the lease at pre-determined bargain prices.

These "leases" may not be directly expensed for tax purposes. Leases with fixed dollar amount purchase options ($1,$101,etc.) or those with fixed percentage of original equipment cost purchase options (5%, 10%, ect.) usually fall in this category.

Master Leases

A lease program can be structured to finance your customer's projected equipment needs for many months in advance. Rates are often based on the total amount of the commitment and are thus lower than those that a series of smaller transactions would offer. Schedules are then added as new deliveries occur. Paperwork is simplified and each schedule can be written for different terms and with different payment schedules to match the needs for that particular piece of equipment.

Selling add-on equipment becomes much simpler for you as you know the financing is already in place to cover it.

Master leases can range from as low as $50,000 and for up to several million dollars, and there are few limitations on equipment location or type.

A small fee is usually required to secure the commitment which can cover your customer's needs for the rest of his fiscal year.

Is it a Lease or a Purchase?

Tax Purposes

The distinction between the two types of finance leases, true lease (sometimes called "fair-market-value lease"), is important because one of the potential tax advantages of leasing rather purchasing is that lease payments can be deducted as operating expenses, a deduction that is generally greater and faster than that for depreciating equipment. The deferral of taxes typically results in lower cost on a present value basis.

Under the true lease, the lessor owns the equipment and the lessee expenses lease payments. Under a quasi-lease, the lessee expenses interest and depreciation. There are four key requirements for treating a contract as a lease rather than as a purchase for tax purposes.

1. Title cannot pass during or at the end of the lease term.

2. There can be no bargain purchase option, defined as a sum significantly less than fair market value.

3. There can be no bargain renewal option.

4. The term of the lease cannot exceed 75% of the useful economic life of the equipment.

Frequently the term " lease purchase" is incorrectly used to refer to a true lease. a true lease can offer to sell the equipment to the lessee at the end of the lease for a sum consistent with its then current fair market value, but any attempt to fix that amount in advance puts the burden of proof as to reasonableness on the lessee.

Financial reporting purposes:

The rules for reporting leases under GAAP (Generally Accepted Accounting Principles) are governed by the Financial Accounting Standards Board (FASB).

GAAP requires that in order to treat a lease as a lease for financial reporting purposes (an "operating lease"):

1. Title cannot pass during or at the end of the lease term.

2. There can be no bargain purchase option, defined as a sum significantly less than fair market value.

3. There can be no bargain renewal option.

4. The rental payments committed under the agreement, when present valued at the lower of the lessee's incremental borrowing rate and the lessor's implicit rate do not exceed 90% of the equipment cost.

If the lease meets FASB requirements, the rental payments can be treated as an operating expense and there is no necessity to show the total lease commitment as a liability (rather it is simply entered as a footnote). This improves the financial ratios and avoids running afoul of other loan covenants.

If the lease fails to meet the tests, it is classified as a "financial lease" and must be capitalized and depreciated for balance sheet purposes in the same way as a purchase.

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BENEFITS OF LEASING FOR THE EQUIPMENT SALESPERSON

Buyers resent being forced to "take it or leave it." To many customers, that is exactly what a cash sale offer suggests. Leasing, on the other hand, presents alternatives which provide your customer with a choice.

As you talk to your clients about service and support, discussing leasing, a monthly use concept, fits neatly with your desire to form long term relationships with those customers. With leasing, your customer pays for the use of the equipment, an arrangement that suggests you will be there long after the sale is closed, a point worth making.

By offering a lease program, you are giving your customer several distinct advantages. This benefits YOU in the following ways:

Leasing takes the deal off the street

Once your customer has signed the lease application or proposal and has written his advance rental or deposit check, he has stopped shopping. You eliminate competition. Since you are easy to buy from, your customer comes back for his future needs.

A master lease, coupled with upgrade provisions then make these add-on sales efficient and easy.

Leasing conserves your customer's cash

When your customer leases your equipment, he is tying up less of his capital than he would with a cash sale or a bank financing that would require a large down payment.

Cash is one of the most valued commodities in business. Whether applied to routine expenses such as rent and payroll or when used for investment opportunities such as adding new products or new sales reps, taking quantity price breaks or even buying real estate, there are many, many uses for each conserved dollar.

Because of this loss of leverage, paying cash is often the most expensive way to acquire capital equipment. Furthermore, paying cash may even prevent your customer from buying your next generation of equipment when he needs it.

Ongoing relationship/future business

As discussed above, with leasing your customer is buying a multi-level contract. This gives you the opportunity to establish a multi-year relationship and enhances your ability to sell maintenance, supplies and support services as well. The customer is protecting his equipment best by letting your trained professionals maintain it in top notch condition, and by using supplies recommended and/or provided by your company.

Since the lease is set up on a monthly payments, it is logical to offer these ancillary services on a monthly contract basis as well. Future business becomes much easier. You have a reason to drop by and discuss the customer's needs on an ongoing basis, so when new needs arise, you have the "inside track".

Smaller price differentials

Leasing lets you sell a small monthly payment, not a total purchase price. While your sales price may be several hundred dollars higher than the competition, your lease price may be within just a few dollars. If the customer feels your equipment and service is superior, a few dollars won't matter. Retail price differential is no longer of concern.

This also makes larger equipment sales easier. If you would rather sell your prospect the deluxe model at $150,000 rather than the base model at $135,000, it is much easier to do so by comparing a $3800 monthly lease payment to a $3450 payment. Use leasing and talk about the $350 per month difference, instead of the $15,000 difference in purchase price.

Leasing gets needed equipment now

This is especially true for the customer who has depleted his capital equipment budget. It is much easier to justify leasing a piece of equipment and paying for it from the money it will save, or the profits it will generate. Use this to your advantage; it is a powerful reason to lease.

Companies may also run into another problem when buying your equipment late in their fiscal year. As a result of the new tax laws (specifically the Mid-Quarter Convention provision of the Alternative Minimum Tax), companies buying equipment in the fourth quarter of their tax year may trigger adverse tax consequences. Leasing can prevent this.

If you're getting unexpected resistance to a sale late in the customer's fiscal year, this might be why. Try to find out if their CFO has put a "hold" on purchases and let your leasing company rep know. He may be able to structure a lease that solves the problem and paves the way to the sale.

Provide alternate financing

You can offer your customer more ways to obtain your equipment. Anyone can take an order for a cash sale, but you can be a problem solver and a true professional when you show your customer how to arrange advantageous financing as well.

I've heard equipment sales people say, "All of my customers pay cash," when what they really mean is, "All of the customers I know about pay cash." The prospects that simply go to the competition where financing is available don't always tell you why.

If you are losing sales under strange circumstances late in the selling cycle, this may be the reason.

New credit line

Leasing offers your customers an additional line of credit. In today's market, this can be a very valuable and major consideration. There are consultants who find new lines of credit for companies and charge substantial fees for doing so. By offering leasing, you provide this service free.

No shopping for loans or internal funding

Leasing removes a major problem many prospects have in obtaining new equipment- having to ask someone to approve the funds for them to buy it. Often this is their own internal capital acquisition committees, but sometimes it's their banker. Both require detailed justification for the acquisition.

By offering your customers lease arrangements as a way of meeting their needs, you eliminate this problem and smooth the acquisition process for them.

Leasing allows you to retain control of the process.

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LEASING AS A SALES TOOL, THE KEY TO YOUR SUCCESS

The information below will help you present leasing to your customers. It incorporates successful leasing sales tactics. Using these ideas on a regular basis will increase your sales and put money in your pocket.

Always quote monthly payments, not total price

Often the hardest obstacle to overcome in a sale is the price (and, let's face it, good equipment is not cheap). The more "high tech" and sophisticated your equipment is, the more the customer may think he can't afford it. Anticipate this objection and overcome it by quoting a low monthly payment instead of the total purchase price.

Mention the monthly payment early

This often removes the price concern from the customer's mind. Many salespeople carefully avoid mentioning the price until the close of the presentation, even though price may be uppermost in the customer's mind. By stating the monthly payment early, the customer is free to concentrate on the benefits and features of the equipment without the looming concern of its high cost. The customer's decision can then be based upon what the system will do, instead of what it will cost.

Quote a shorter term rate first

When your customer ask, "What's the price?" respond with the monthly payment for a 36 month term. This way you will find out how close you are to the customer's budget while retaining flexibility. You will also see that this tactic can bring out possible objections.

If the customer objects to the size of the payment, increase the term to 48 months or even 60 months, lowering the monthly payment each time.

Another reason to start with the shorter term is that, assuming the payment is acceptable to the customer, add-on sales become routine. You can offer a more deluxe model, or additional items, without raising the payment (just lengthening the term). Example: $12,000 for 36 months is

$455.00 per month.*
$17,913 for 60 months
is also,
$455.00 per month.*

The customer gets 49% more equipment at the same monthly payment.

Calculate the monthly payment before your sales call

Often you have a good idea of the equipment you will propose before making a sales call. Take the time to calculate the monthly payment on several possible equipment configurations using the rate guideline sheets provided by your leasing company. By doing this, you will know a number of financing alternatives that you can offer when you meet your customer.

You'll then be able to mention the monthly payment early and present alternates on the basis of monthly cost differential. For instance: "Our deluxe model is only $41 a month more than the basic model."

g state-of-art equipment is its increase efficiency which leads to greater profits.

When you are talking to a prospect, relate the amount of money saved through the use of your system to the nominal cost of leasing the system. Then take the time to prepare a Lease Cost Analysis form. Using the simple arithmetic on this form, you can show the monthly, daily and even hourly investment in your equipment. you then relate that small amount to the savings and profits available.

The result is a powerful argument for acquiring your equipment. A $10,000 piece of equipment on a sixty month lease in California (40% combined rate of Federal plus State tax rates) nets out at $157.80 per month. $7.17 per day (22 day month) and 90 cents per hour (8 hour day).

Dramatize the after-tax payment

Monthly lease payments may be fully deductible as operating expenses. But, even if the customer capitalizes the lease and depreciates the equipment, some portion of his investment is recovered through a reduction in tax liability and the

Matching lease structures to user needs

Leasing offers different structures to accommodate virtually any customer's situation. For instance:

1. Step Down Leases, can be designed to match the lease-payout curve (what the lessor needs to pay the lease at any given time) with the equipment value curve (what the equipment is expected to bring in a sale). This allows the lessee to effectively "walk away" from the equipment at almost any time (with the sale proceeds of the equipment covering the lease payout). Featuring payments that decrease each year, this structure offers accelerated tax write-offs and greater upgrade flexibility.

2. Step Up Leases allow companies starting a new project or division, or with short term budget constraints, to start with little or no payments during the early part of the lease term and increase payment levels as cash flow increases.

3. Seasonally Adjusted Leases accommodate companies in cyclical industries, structuring payments to match cash flow and allowing smaller, or token payments during the "off" months.

4. Credit Enhancement Structures are employed to allow companies that might not otherwise qualify for leasing because of credit or equity level deficiencies to her needed equipment. Enhancements such as security deposits, the holdings of real estate, equipment or financial instruments as additional collateral, shortened or step-down lease terms, corporate or personal guarantors and co- lessees are some of the alternatives considered to overcome challenging situations.

after-tax cost is less than the lease payment you are quoting. Again, the Lease Cost Analysis form is a good way to dramatize this fact. Use 34% as an average corporate tax bracket and add an estimate of your state's tax as well (in California, this totals 40%). As you can see from the example in the section above, the resulting small monthly or hourly cost figures will dramatize the nominal investment in your equipment.

Use the lease to uncover objections and close the sale

As successful salesperson, you will be setting up your close throughout the sales process. A series of trial closes can often tell you when the customer is ready to make his decision.

"Do you prefer the 36 month lease or the 60 month lease?" is one such trial close. The customer may respond "Well, I'm not sure I want this equipment at all," a response that let's you ask why, and uncover his real objection.

The lease application itself is another closing tool. It can be used in two ways. Firstly, by beginning to fill it out and asking for credit information. If the customer doesn't stop you from doing this, he/she is well on the way to completing the sale.

Secondly, when it is not possible to close the sale on that visit, the lease application can serve as an interim close. "Let's submit the application so that you're approved when you're ready. We can decide on the exact equipment later" is a good way to gauge interest. If the customer gives you the information, he/she has taken a major step towards buying, albeit not that particular day.

Use the lease to build repeat business

Leasing encourages repeat business. It makes it easy for your customers to add on and trade up equipment. Furthermore, once a customer starts thinking in terms of monthly payments, it is easy to introduce new equipment in that manner.

Specific lease products such as "Step Down" leases, Master Leases (with or without co-terminus schedules) and leases with no-penalty upgrade clauses are geared specifically to facilitate your future sales.

Ask your leasing company representative about them.

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THE LEASE APPLICATION

Filling our the lease application completely and correctly (the first time) can go a long way toward expediting approval of the transaction and the closing of your sale.

The first step to say yes

There are several factors that any credit analyst considers when reviewing a lease application. First and foremost is the question of whether the customer has the ability to pay. On larger transactions, the analyst can review financial statements and tax returns in an effort to determine that customer's financial strength. On smaller applications (under $75,000), they must usually rely primarily on the information contained on the application form itself. Of course, if that information raises questions about the customer's credit standing, they are free to ask for more information to complete the package.

The second question asked is whether the customer does, in tact, make a habit of paying his bills in a timely manner. To answer this question, inquiries are made to their bank and with those companies with whom they do business (trade references) to verify payment history. Information available from public reporting agencies such as Dun and Bradstreet or TRW is also used for this purpose.

Because the lease application information is so heavily relied on it is particularly important that it contain complete and detailed information from which an intelligent decision can be made.

Improperly filled out applications are the single biggest cause of lease approval delays. And, as you know, delays kill deals.

Filing out the lease application

Special attention should be given to the following item:

Bank accounts

Account numbers of bank accounts and, where possible, the name of the bank officer familiar with the account are most important. If the account has been at the bank for less than two years, information on the prior bank relationships should also be provided.

Other loans or leases

These should also be included together with account numbers and contract names. Include accounts which have been paid off in full as well as those currently open. These "comparable credits" go a long way to establishing your customer's credit history.

Trade references

Complete information, including account numbers and contact names of major trade suppliers. Don't hesitate to ask who their highest volume supplier is, or the one they have dealt with the longest. A favorable reference from these key suppliers is a positive.

Favorable reference from several small suppliers that together total 10% of your customer's purchases, are simply not sufficient.

Lessee name

Be sure that you have the exact legal name of the company and whether it is a corporation, partnership, or proprietorship.

Signature

A company representative, preferably an officer, must sign the declaration section of the application. This gives the lessor the authority to check credit and is particularly important because some banks will not rate by phone. Being able to fax a copy of a signed declaration often secures the needed information.

Personal data

Particularly on proprietorships, partnerships, and closely held corporations, it is important to have the home address and social security numbers of the principals. These are necessary to obtain certain credit reports. If any of these people have been at their present address for less than two years, make sure to get their previous address as well. Particularly on smaller transactions, personal credit history is an integral part of the decision making process.

Larger transactions

On transactions over $75,000, or where the proposed lessee has been in business for less than two years, a complete credit package is usually required.

The “complete” credit package will include two or three complete years of company financial statements and, if those statements are not audited, copies of the corresponding tax returns. It will also include personal financial statements on the principals and their personal tax returns.

If this material is insufficient to get a good picture of the applicant, then your leasing company may also ask for copies of contracts with customers, references from customers and suppliers and other additional information.

But, obviously, the more complete the package the first time, the less the possibility of delay in the approval process.

Additional helpful data

Credit decisions are based on logic. Often, an application can’t be approved simply because the right questions weren’t asked.

If you know something about the proposed lessee that would help in analyzing his credit worthiness, include this information in a brief note on the back of the application.

Helpful information might include the existence of new contracts awarded to the lessee, the addition of new offices or additional personnel or the fact that there are other companies under ownership.

Remember, you can’t proceed with your sale until the lease is approved and the leasing company can’t make money declining applications. Since the goals are the same, the levels of cooperation must be high.

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WORKING EFFECTIVELY WITH YOUR LEASING COMPANY

The best relationships between lessor and vendor are conducted, for all practical purposes, as partnerships.. each partner is able to rely on the other for candor, consideration and cooperation. The worst relationships deteriorate into finger pointing lose-lose situations that do not last.

Here are some tips for maintaining an excellent relationship with your leasing company:

Be candid

Be honest and complete in conveying information about a prospective lessee (See chapter 6- The Lease Application). Derogatory information addressed early can often be dealt with. The same information, discovered late in the process, is usually a deal killer.

Every deal doesn’t fly

If you expect your lessor to approve every deal you submit, you’re kidding yourself. There are some companies out there that simply do not deserve credit. They will not be approved by any financial source not having a death wish. Don’t be unreasonable in your expectations.

Pricing

As with the figures you quote for your equipment, the rate on a lease can fluctuate base on a number of factors. Sometimes you are willing to cut a few dollars off your profit to make a sale. Sometimes the leasing company will do the same thing.

However, every transaction is not acutely price sensitive and insistence on the “lowest possible rate” every time is not reasonable for you or your lessor. We all want to offer the customer a fair price, but that doesn’t mean cutting the price to the bone on every deal. After all, profits are what fuel our ability to offer better service and support for our customers.

Delivery, acceptance and payment

Nothing irritates both vendor and lessor more than payment and documentation delays. Most leasing companies strive to pay vendor bills promptly, but can’t do so until all the “I’s” are dotted and the “T’s” crossed.

In order to pay an equipment bill, a leasing company must know the following: (a) That the equipment has been delivered and installed as invoiced; and (b) That is satisfactory to the customer.

The lessor can not get into the middle of a dispute between you and your customer as to whether or not you have fulfilled the terns of the order, so most lessors verify that the customer is satisfied before payment is made. If you make sure the customer is ready to sign off before expecting a check from your lessor, you will avoid disappointment.

Also, the leasing company must have a legally binding invoice that transfers title to the specific equipment being leased to them. This means:

a. The “Bill to” name must be that of the lessor.

b. The “Ship to” name must be the lessee’s.

c. The equipment description must be accurate and complete.

d. Used equipment must be identified as such.

If your invoices do not include this important information, your payments will usually be delayed. Make sure documentation is complete before you expect a check.

Purchase Order

No intelligent lessor is going to issue a purchase order without having the transaction approved and documented, so the receipt of the lessor’s purchase order is usually a good signal that you are safe in shipping equipment.

Shipping equipment before receiving the lessor’s Purchase Option is, purely and simply, gambling. All of the opinions that “the deal looks good” or “this is solid a customer” do not constitute commitment by the lessor. Only the Purchase Order does that.

Lessors often run into situations where the vendor has already shipped before they even get involved. Because the transaction is already old by that time, everyone tries (too hard at times) to rush its completion. This usually leads to errors and further delays.

Expect the reasonable, not the ideal, and you won’t be disappointed.

Multiple Submissions

“Shopping” transactions to several lessors at the same time complicates the process, raises questions about the customer in the minds of credit analysts (Is he doing something improper by trying to double finance the same equipment?), and damages the lessee’s credit (the more inquiries, the worse the rating).

If you must spread your business among several leasing companies rotate (rather than duplicate) the submissions usually slow down, not speed up, approvals.

The Last Word

If in doubt about the best way to work with your lessor, or any other supplier of foods or services for your company, try the "Golden Rule." the one that says, "Do unto others as you would have them do unto you," not the one that says, "He who has the gold, makes the rules."

8

SUPPORT AVAILABLE FROM Mirapoint Leasing

This Guide would not be complete without a plug for my company, Mercury Capital. After all, they're paying to print the darn thing. So here goes:

Mercury Capital provides **"Vendor Friendly"** lease terms such as no penalty upgrades, value curve matched payment schedules and master leases for its vendor marketing partners to offer their customers.

Mercury Capital provides **fast turn around time** by sending documents and checks by overnight courier, by maintaining a staff of highly experienced in-house credit professionals, and by using their multi-line credit approval capabilities.

Mercury Capital marketing representatives are **trained professionals** with experience both in leasing and in the industries they serve. They are required to attend ongoing training sessions, read industry publications and attend the trade shows in their chosen specialties so that they are always up to speed on the latest developments in the leasing industry, and with the equipment you sell.

Mercury Capital provides **marketing assistance** for its vendor marketing partners with trade show support, joint advertising and promotion projects, incentive programs and seminars for both their sales people and their customers on all aspects of leasing and equipment finance.

For information on how Mercury Capital can design leases and lease programs to help your company increase sales, contact your nearest Mercury Capital representative. And be sure to ask him/her about the exciting new Mercury Capital "VIP Credit" credit card program.

SUMMARY

Research shows that the top producing equipment sales people tend to have the highest percentage of lease transactions. Introduce leasing during your first sales call. That way your customers will overcome cost concerns early and be free to concentrate on equipment capability. This manual was designed to share ideas for leasing as an effective selling tool. Now that you have a better idea of what leasing can do, try applying the concept to daily sales situations.

If you have never used leasing before, now is a good time to start. If you have used leasing occasionally, or as a last resort, try using it as an integral part of your sales strategy.

Keep in mind that even to customers who can afford to pay cash, leasing provides several advantages over cash purchase, including tax relief, protection against inflation and preservation of credit lines. Above all, leasing provides the most flexible financial alternative available today.

Lastly, be sure to use the marketing support and expertise provided by your leasing company. They will help you close sales, if you let them.

You know what your clients could do with the right equipment.

Imagine the equipment you could sell them if they had the right financing.

Dear Fellow Salesperson:

LEASING IS POWERFUL SALES TOOL.

Leasing enables your customers to acquire equipment they might not be able to get in other ways, and that then enables you to make sales you might not be able to make in other ways.

Anyone selling capital equipment must be familiar with leasing. Those that do have a significant advantage and make more money than those who don't...it's as simple as that.

The purpose of this brochure is to familiarize you with leasing and with lease finance contracts, and to show you how to use them more effectively to make sales.

If you get just one more sale from the ideas you find here, we will have succeeded in our jobs.

Good Selling!

Barry Lyon
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