

Equipment Financing Adapts Again for the 21st Century

Equipment lease financing became popular with the leasing of Xerox photocopiers and IBM computers in the 1950's. This allowed businesses to budget for upgrading obsolete or broken down equipment .

In the manufacturing industry, forklift equipment dealers have for many years sold much of their equipment through equipment lease programs .

Construction dealers have for many years offered lease rental programs. This has provided construction companies with equipment geared to short-term equipment needs. Automobile manufacturers have popularized car leases with low payments but very high end of term residual and uncertainty.

Many business owners, including sawmill and pallet operators, often confuse the manufacturer-promoted rental and lease programs with the more common lease-to-own program offered by companies like my own. As a result, they often have preferred to pay cash for their equipment . If they decided to borrow from their local banker, this tied up bank lines of credit perhaps better utilized for day-to-day operating costs.

Recently, the equipment lease industry has come up with an alternative finance option which benefits both parties. An equipment finance agreement (EFA) or sometimes called an equipment finance contract (EFC) overcomes most of the reasons why some business owners decide not to lease.

Ownership of the equipment is now assumed by the business owner. This enables the user of the equipment to dictate how he wants to insure the equipment. He also decides how he wants to handle the payment of sales tax and property tax .

EFA's also make it easier and more cost effective to pay off your agreement early. While they are still not a simple interest plus principal loan, they do state in writing a discount for early termination.

Now business owners have the choice between an equipment finance agreement geared more to convenience and preserved cash flow/ bank lines of credit or a true equipment lease for tax and/or accounting purposes.

For more information, contact Ian Liddell with Accord Leasing at 800-679-3119 or visit www.accordleasing.com.