Finding the Right Fit

The more you understand about the credit process and what lenders are looking for, the greater your chance of finding the right financing fit.

When evaluating a financing application, credit underwriters consider a variety of criteria including:

- Time in business
- Personal and business credit history
- Equipment type
- Transaction terms and conditions

Understanding this credit process may enable you to better work with a lender to achieve a financing package best suited for you and your business.

What year was your business established?

Generally speaking, the longer a company has been in business, the more competitive the monthly payment may be. Businesses greater than two years old have more financing programs to choose from, while start-up companies are limited in options. Start-up companies are typically required to make a down payment with the financing offered through banks or loans.

How is your business credit history?

Strong corporate pay history improves the odds of obtaining 100% financing. Because multiple factors are considered in the underwriting process, poor corporate pay history can sometimes be overcome through other credit strengths such as strong personal credit, profitable financial statements, down payment and/or shortened term.

How is your personal credit?

Typically credit underwriters use the personal credit history of a business owner as an indication of what the corporation's pay practices will be. Personal pay blemishes, bankruptcy, judgments and/or liens may have an impact on your business' perceived credit risk making it more difficult to obtain business credit.

What kind of equipment are you financing?

Typically, financing terms match the useful life of the underlying equipment. Financing terms of 60 months or more are often reserved for assets that are anticipated to be producing profits for more than a five year period. On the other hand, technology-type assets, such as computers, are often kept on short term contracts due to their limited useful life.

Which factor is most important to you when selecting a financing option?

Lowest Monthly Payment If your business is like most, cash flow is king! Consider the Buy Now, Pay Later program, which will allow your equipment to begin producing revenue before regularly scheduled payments are required. Ask your financing consultant about 60-month terms and/or a 10%-FMV purchase option, both of which allow you to lock into a lower monthly payment.

Lowest Cost For those companies with ample cash flow, lowering the overall cost of financing may be the primary objective. Shortening the financing term to 24-36 months and reducing the amount financed with a down payment are two simple but powerful techniques for reducing your overall financing costs.

Tax Savings Consult with your accountant and they may tell you that a capital lease is in your business' best interest due to the IRS Section 179 tax deduction. It may allow you to write off thousands of dollars in equipment financing. Alternatively, your accountant may advise that your business would benefit from an operating lease in which your business can deduct 100% of its monthly payment throughout the term of the lease.

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