

COMPARING EQUIPMENT FINANCING (LEASING) & HOME FINANCING

	EQUIPMENT LEASE FINANCING	MORTGAGE LENDING
PARTIES INVOLVED: Similarities: <ol style="list-style-type: none"> 1. Sales rep 2. Brokerage financing arranger 3. Lender that supplies the \$ 4. The buyer 5. The seller 6. Processing the financing 7. Insurance agent Differences: <ol style="list-style-type: none"> 8. Item financed 9. Refinancing 10. Realtor for seller 11. Realtor for buyer 12. Escrow 13. Title Co. & Title insurance 	Leasing Broker/Agent/Sales rep Leasing Co./Lease Brokerage A bank or other lender A company who wants equipment A company that sells equipment A leasing co. lease processor Yes, certificate covers equipment Personal property (equipment) Very, very rare, virtually never! None None None None – Sometimes UCC search	Loan Broker/Agent/Sales rep Mortgage Co./Mortgage Brokerage A bank or other lender A person who wants a home A person who is selling his home A mortgage co. loan processor Yes, certificate covers home Real property (home, condo, etc.) Refining is common A realtor representing the seller A realtor representing the buyer Escrow manages the paperwork Title Co. & new policy issued
Borrowers:	Companies	Persons
Who you work with:	Co. owners, officers, managers	People who are homeowners
Property suppliers:	Companies that sell equipment (Vendors)	Persons that are selling or refinancing their homes
Hours to contact parties:	9-5, M-F (or as needed)	24-7 (within reason!)
Calling business parties:	OK, no restrictions or “no calls”	“No call” lists
Laws that cover the process:	Commercial Law	Consumer Law
Full disclosure requirements:	None – self regulated	APR & other consumer disclosures
Primary purpose for the purchase:	Financial, ROI, logical, needed	Largely emotional, want, & need too
Future repeat business from debtor:	MAJOR opportunity. “Companies that lease, lease.	Move, refit, 2nd home
Referrals by the debtor:	Rarely. Borrowing is very private	Yes, having home loan is customary
Future repeat business from seller:	Vendors are a MAJOR source of on going constant business!!	Very rarely a buyer’s loan agent might pursue business from the home seller!
Economic trends & effects	Very stable supply of lender funds in up and down economies	Lender funds becomes very tight and business effected greatly by rate increases
Relationship with debtor:	His advocate and you shop on his behalf for the lowest rates and best terms. Extremely efficient, open with many creative ideas, and always looking for the next financing opportunity to help his business grow	
Debtors attitude impression	Treat you professionally,	Shop your rates, double application,

	logically, and expect that back and will reward you with loyalty	not disclose, lots of emotion
Chance of transaction cancellation	Extremely rare, virtually never. The purchase is a logic based, money making, necessary piece of equipment	A constant threat since most consumers are getting in over their head and any small thing will tip the emotional scale over to "cancel"
Debt difference	Leasing debt is truly an investment, it produces income and the amount of debt is a small fraction of a home loan	Huge amount of money for a pure expense/luxury/emotional purpose that may make money due to a lucky economic condition. A huge borrowing with no cash flow in most cases
Tax benefits of the purchase	Write off the entire purchase of equipment in the year of purchase up to \$125,000. In the 30% tax bracket, you save the debtor \$37,500 IN CASH. (You could instead write it off over 5 years) This can be repeated year after year with additional purchases.	Write off the interest, taxes, and some other items possibly. On a \$125k purchase with payments of \$1,000/mo, write off \$12k and in the 30% tax bracket save \$3,600 in taxes during year 1, and similar amount each year after. No option to take the entire write off year 1.
Income verification needed:	None up to \$75k-\$150k for 3-5 year old solid companies	No doc available too
Lender's final credit decision:	In 4-8 hours	Varies
Transaction time-similar to homes:	Could be 3 days – often several weeks waiting for equipment deliveries	30-60 day escrows