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A Little Bit of Effort Saves a lot of Work

A behind the curtains look into the new landscape of business lending from a nationwide leader in financing.

As the signs of widespread economic recovery start to appear, the once hunkered down and hibernating small and medium-sized businesses are awakening to a very different landscape of business lending. It has always been an axiom of truth that businesses need capital support to grow and thrive. Over the last few years however, the downturn in the economy has changed the business finance industry as much, if not more than any other.

In the old days business owners walked confidently into their community bank, and walked out with easy access to capital. The scenario now plays out much differently. Community banks, once open armed welcomers, are quickly disappearing. They are being swallowed whole by larger institutions, or are themselves running into financial difficulties resulting in insolvency. The petition process of securing a business loan from one of the few remaining mega banks is now often arduous, complicated, or simply unavailable.

With the needs of capital support growing, and the availability of bank financing diminishing, there are those innovators that are stepping up and in to fill the role left behind. As a pioneer and leader of the new generation of business equipment leasing and financing companies, Taycor Financial Headquartered in Los Angeles CA, has provided a roadmap to help the business community navigate the new path from identifying equipment for purchase to financing.

Intelligent Shopping

Throughout the process of securing capital for equipment purchase, working capital injection, or general business growth, you'll find that a little bit of effort saves a lot of work. Once you have found the approximate purchase price for the machinery that you need, or estimated the requested loan amount, the same careful attention should be made in choosing a financing or leasing partner.

Reputation: Chances are that your search for a finance company will include a foray into the World Wide Web. Take the additional step of researching the resulting companies, but moderate what you see. The internet has become the new soap box. Though the web contains a wealth of information, customer surveys have found that an unsatisfied customer is more than 9 times as likely to leave a negative review as a satisfied customer is inclined to leave a positive one. Also, buyers beware that the absence of reviews or information may not be a positive factor. Companies with little to no online presence

might mean that the potential partner is new, or does not do enough business to have a customer reputation.

Flexibility & Scalability: Not all leasing and financing companies are alike; just as the needs of individual businesses are not generic. Often depending on the collateral and loan amount, there are options for payment deferrals or holidays that can help in the transition period commonly associated with new purchases or debt obligations. Ask potential financing partners about prepayment penalties, conditions for early buyout, and available options for flexible payment plans.

Return on Investment: Gone are the days of luxury and esoteric purchases. The common trends in equipment portfolio growth over the last few years have primarily been in purchases that generate revenue or gain efficiencies. Business loan and working capital divisions have reported that injections of capital are being spent on gaining market share and growth of business infrastructure. As an intelligent shopper you must determine if the acquisition of equipment or proposed spending of the business loan generates income or gains productivity? If the answer is 'yes,' evaluate and complete market research to estimate the dollar value gain to your business per month. This should become your Go/No Go assessment when finalizing your lease or loan.

Application Submission

Modern credit evaluations throughout the industry have evolved into automated, and little understood computer scoring models. Risk is now often assessed not only by your individual company's history, but by the portfolio performance of your entire industry. The recent economic undoing has left entire industry verticals on the excluded list. If your potential financing partner only uses a computerized scoring model, you may be fighting an uphill battle with a guide that knows little about their actual approval criteria. For those finance companies that still maintain an experienced group of risk management credit staff, these are some of the criteria they use to decision submitted applications.

Personal Credit: A business with fewer than five owners is usually considered closely held. This designation means that regardless if you are applying for a lease or loan that requires no personal guarantees, the personal credit of the ownership (usually for those owning 20% or more) will be reviewed. The reason for inspection is simply that for closely held business denominations the fiscal health of the owners, their ability to maintain good financial health, and their personal payment habits generally impact business practice. Consider doing a self review prior to submission by contacting the three primary credit reporting agencies:

- Equifax
- Experian
- Transunion

Business Credit: There are currently several business credit reports available on the market. The most commonly used compiler, Dun & Bradstreet, aggregates information and assigns a Paydex score. Manual review of a Dun & Bradstreet or comparable report considers two criteria. Primary credit review focuses on the business history in paying established trade lines. Weight is based on high credit, and whether payments were made on time, late, or early. Consideration is then made on the number of trade lines reporting. If a business credit report scores well, but there are only one or two creditors reporting pay history of a very small amount the score tends to carry little weight in positive credit decisions.

Bank & Borrowing Reference: To bypass a full financial disclosure package, many equipment lease companies allow bank and borrowing references to be submitted in lieu of tax returns and financial statements. The bank reference gives a monthly snapshot of cash flow in and out of the business. A history of well maintained bank balance shows finance companies the applicant's ability to take on additional debt. Comparable borrowing references are one of the most important factors when considering loans and leases over \$50,000. The payment history reflected by a lease or loan reference similar in nature to the current request will give the creditor a true view of what they may expect when extending the same type of credit once more.

Successful Approval

The digitalization and upgrade of technology infrastructure in today's modern business finance companies allow for near instant reference and report requests. If prior to application submission potential hurdles and challenges were addressed, the approval process should be measured in business hours and days not days and weeks.

Read: Once an approval has been extended, lease or loan documents will shortly follow. Read and confirm that the terms and conditions are as previously discussed and agreed.

Ask Questions: If there is a discrepancy of literature that you are unsure or uncomfortable with, ask questions. Relationship oriented finance partners will be more than happy to explain confusing legal language as well as be your advocate each and every step of the way.

Sign & Secure: Once you are comfortable with the documents, sign and execute. Then, it is very important that you secure multiple copies of your documents. Often in the event of an equipment lease, the purchase option addendum is what guarantees a fixed buyout at the end of the term.

About Taycor Financial

Founded in 1997, with offices in Los Angeles CA and Boston MA, Taycor Financial has joined the ranks of America's top businesses, establishing itself as one of the premier equipment financing companies in the U.S. Taycor is also one of the most rapidly growing; having made the "Inc. 500" list of America's fastest growing private companies. For more information on equipment leasing or financing, to get an Instant Quote, or explore career opportunities visit www.Taycor.com or call (310) 568-9900.