FIRST AMERICAN
EQUIPMENT FINANCE®

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[Technology + Management Smarts]

[Technology Acquisition Strategy]

When is a Lease Line of Credit the Answer?

Equipment upgrades and replacements are inevitable. Even careful consideration and project planning will quickly switch into overdrive once the organization decides to move forward with an IT project.

Once in overdrive, the process of identifying potential financing partners, soliciting proposals, conducting due diligence, and analyzing financing terms for each and every project is both unreasonable and costly. It becomes an obstacle in the process of obtaining business-critical equipment and eliminates the opportunity for economies of scale.

Particularly onerous are complex projects involving lengthy implementation and multiple vendors. Or worse: multiple, overlapping projects. In cases like this, many companies choose a lease line of credit.

Why? Lease lines are typically set up for 12-18 months at a time and eliminate the need to conduct due diligence on a new vendor for each and every project. Better yet, they can be set up in advance of the project(s).

Technology that will be replaced every 3-5 years should be leased; equipment with a useful life of 5-10 years should be purchased.

Is a Lease Line of Credit Right for You?

- ☐ Complex projects
- ☐ Multiple vendors and timelines
- ☐ More than one project at a time
- ☐ Growing company
- ☐ Future, yet-undetermined projects
- ☐ Prefer economies of scale
- ☐ Could benefit from an alternative financing source

How to Obtain a Lease Line of Credit

If you checked any of the boxes on the list, a lease line of credit probably makes sense for your company. Private lenders, banks, and even the vendors themselves can provide it for you. Beware, however, that banks often charge set-up costs and non-utilization fees for this service, whereas private financing companies do not.

Separately, vendor finance solutions will frequently not include products from other sources in the financing package, and are therefore a short-term solution. With any of these providers, a deposit is typically required.

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If you already have a line of credit, ensure that within it you have access to both **fair market value** and **dollar buyout options** to guarantee a strategic approach to equipment acquisition. Specifically: technology that will be replaced every 3-5 years should be leased, and equipment with a useful life of 5-10 years should be purchased via the dollar buyout option.

Talk to your lender about:

- ☐ A fixed rate
- ☐ The down payment
- ☐ The length of the term

Another side benefit to the lease line of credit is the opportunity for a better, more strategic relationship with your lender. In this scenario, your lender acts as a project manager, helping you manage your multiple leases, suppliers and fundings.

Like a home equity line of credit for personal home improvements, a lease line of credit can take a lot of the headache out of business technology and equipment improvements.

About Technology + Management Smarts

Technology + Management Smarts is a quarterly electronic publication developed for select customers of First American Equipment Finance. First American is an equipment lessor that excels at providing simple, innovative financing solutions for complex projects that combine products and services from multiple vendors and service providers into a single equipment lease. Headquartered in New York, with offices in Chicago, Los Angeles, and Naples, Florida, First American has satisfied customers in all 50 states. Visit us at www.faef.com.