

NEWBIE'S GUIDE

TO LEASING AN OFFICE COPIER

Frequently asked questions about
lease terms and the leasing process



Canon iRADVC7500

NEWBIE'S GUIDE TO LEASING AN OFFICE COPIER

LEASING AN OFFICE COPIER CAN BE COMPLEX. HERE'S ALL THE INFORMATION YOU NEED TO GET IT RIGHT.

If you've never leased office equipment before, chances are you've got lots of questions. Even if you have done it before, it's probably been 3 to 5 years and you may not remember the details. Not to worry! There's no reason this process has to be difficult or stressful when you have the information to help you make the right decisions. That's why we have created this guide that contains everything you need to know.

LEASE, BUY OR RENT? HOW TO DECIDE.

BUYING A COPIER

For most businesses, it doesn't make sense to buy a copier. It's a capital expenditure and you'll need to lay out a lot of cash all at once.

Also, when you buy you'll tend to want to keep it until it dies. That means, for some period of time as the machine becomes obsolete and gets old and worn out, you'll be dealing with a lot of service issues that can impact your business. Your service costs also go up as your machine gets older.

LEASING A COPIER

When you lease a copier, you make monthly or sometimes quarterly payments, which is much easier on your budget. Another thing many don't realize is that you can get tax breaks from leasing that are equivalent to the deductions you get when you purchase.



Canon iRADV8500

Here's another benefit of leasing that you may not have considered. We find that organizations want to get as much efficiency as possible out of their office equipment because that makes employees more productive. By the end of a typical lease term (3 to 5 years) your machine is nearing the end of its useful life and may be less productive than a newer machine offering technology improvements. At the end of your lease term, you can take advantage of that by upgrading to newer equipment that can save time, improve business processes, and reduce service costs. If you own it, you're stuck with a machine that's not performing well and paying more for service to boot.

However, it's important to know that leasing a copier is NOT like leasing a car. With a car you're not paying for the full value over the course of the lease term. There's value left at the end. That's why you're often able to trade it in and upgrade during the lease term. That's not the case with copier leases; you are essentially financing most of the value of the copier over the 3 to 5 year term, and there is little value left at the end. That's why you usually can't trade it in for a different model during the lease term. That said, in some situations you can do so with a lease buyout (more on that to come, see "Can you get out of a lease?").

RENTING A COPIER

Rentals are typically offered on refurbished copiers on a month-to-month basis for a term of 6 to 12 months, because leasing is very costly for short terms of 24 months or less. Payments for a rental are higher than for a copier lease. However, there are two situations when renting may be your best option.

Short duration. Renting is a good option when you only need the machine for a short period of time (less than the minimum length of a lease). For example, we often rent copiers for use on construction sites, where it will be needed for less than a year.

Lack of credit. Credit approval for leasing can be an issue for new businesses less than 2 years old without established credit. If you don't want to rely on personal credit you can choose to rent.

Just like with leasing or buying a copier, you'll also need a service contract when you rent.

LEASE TERMS YOU MUST UNDERSTAND.

Canon iRADV4500

Here's one way leasing a copier IS like leasing a car: after you've chosen the make and model that meets your needs, you need to review the terms to make sure you're getting a good deal. Lease agreements are not all the same! To compare copier dealers and the contracts they offer you, you'll need to understand the following lease terms.

Lessor. Even though you're working with a copier dealer like Superior Office Systems, you're actually financing your lease through a bank or other lending organization. It is important to understand who the lessor is when it's time for renewing or ending your agreement (we'll discuss more about this to come). Your dealer will choose a lending organization (the lessor) based on who is offering the best interest rate and who is likely to approve your credit.

Lease term. The term is the period of time you commit to using and paying for the copier. Lease terms can be anywhere from 24 to 60 months but most are 3 or 5 years.

Choosing the right term for your needs depends upon your expected usage volume as well as your budget. Since you are essentially paying for the value of the copier over the term of the lease, a longer lease means lower payments. However, if you expect high volume usage, you may not want to commit to the machine for 5 years when it may not last that long. This is another way a copier is like a car: the more you use it, the faster it deteriorates and becomes unreliable.

Your copier dealer can advise you on the lease length you should choose based on your expected volume and the brand & model machine you are considering. That being said, today's technology is better and more reliable than even 10 years ago. With better reliability you often can choose a 5 year lease (which lowers your payments) and can expect the machine to last that long.

With a 5 year term you do give up the ability to upgrade to new technology and feature improvements (such as better scanning capabilities and reduced cost per print) for a longer period of time. So consider your future needs when you make that decision.



Payments. Your lease payment is calculated based on value of the machine divided by the number of payments over the lease term, plus interest. It doesn't take a math wizard to figure out if you're being overcharged.

Some disreputable vendors may do this to you over the course of renewing several leases. Every time you upgrade, they add to your bill until you're paying far more than the value of the equipment. If you think you might be in this situation, SOS may be able to buy out your lease and lower your payments (more about this to come: "Can you get out of a lease?").

Here's another tip about payments: we recommend keeping your lease payments separate from your service contract payment. If service is built into your lease payment, then you are stuck with that service provider for the length of the lease. If your service contract is separate, you can always change service providers if you are unhappy.

Rebates. Sometimes equipment manufacturers offer incentives to customers who switch to their copier brand over a specific competitor. If that's the case, your supplier may be able to get you a rebate on your lease.

Fair market value lease. This type of lease includes an option to buy at the end of the lease at an amount determined by the bank. After a 3 year lease term, it's possible that machine may still have some life. The purchase amount will typically be about 25 to 30 percent of the full cost of the machine. After the 3 to 5 year term, most businesses won't want to pay that much for an older machine that costs more to service and becomes increasingly unreliable.

Warranty. Lease documents will typically say that no equipment warranty is included as part of the lease. That doesn't mean your equipment is not covered under a warranty! The warranty is provided as part of the service contract from your equipment dealer, not from the lending company.

Interim rent. Financing companies typically have an established billing cycle (such as 1st of the month or 15th of the month). If for some reason your equipment is delivered prior to the first billing cycle, you may be charged a small interim rent payment to cover the few days before your contract technically begins.

Canon iR1730



HP MFP X585

CLAUSES TO WATCH OUT FOR.

Make sure you carefully review lease agreements; here are some clauses that can cost you if you fail to catch them.

Payment adjustments or lease escalation clauses. Some lenders may increase your payment by 15% each year. Or, you may see a clause allowing them to change your payment due to a “miscalculation.” You should never agree to terms like these: once your payment is agreed upon, it should not change over the course of the lease term.

Automatic renewal. When your lease is coming up on the expiration date, you are required to notify the financing company of your intention to return the equipment (see “Letter of Intent” below). If you fail to do that within the required time frame, your contract may be automatically renewed for a year, locking you into a year’s worth of additional payments. It gets even worse when your service contract is bundled in with your lease payment.

When entering into a new lease, ask to change the automatic renewal to month-to-month. That way, if for some reason you forget to send in the letter, you’ll only be on the hook for an additional month’s payment.

Insurance surcharge. Lease contracts will specify that you are responsible for damage to the machine that may occur, and the financing company may include an insurance surcharge to cover that. However, if you can show that your office insurance policy covers your copier equipment, you can get that surcharge removed.

\$1 option to purchase. Sometimes lenders will ask if you want an option to purchase the equipment at lease end for \$1 (as opposed to fair market value which is usually about 25 to 30 percent of the cost). This may sound good, but it will raise your payments. You’re better off paying smaller payments and deciding at the end if the machine is worth the purchase price. Especially for a 5 year lease, it usually isn’t.

WHAT YOU MUST KNOW ABOUT THE END OF YOUR LEASE.

Letter of intent (LOI) to return the machine. When you’re coming up on the end of your lease, the bank requires you to notify them, within a specified period of time, of your intent to return the machine. If you fail to do that, the lease may automatically renew for a year. That means you are stuck with the machine (or at least paying for it). For this reason, you must keep track of when your leases are due to expire and be sure to get the letter to the lender within the time frame specified on your lease agreement (usually 60 and 90 days, but sometimes up to 180 days in advance).



Here's an example of what
an LOI should look like.



The letter must include your lease number. Send it to the financing company via registered mail or a specified email address. Don't send it to your dealer! And unfortunately, your supplier can't take care of the LOI for you.

CAN YOU GET OUT OF A LEASE?

When you sign a 3 or 5 year lease, you are obligated to pay the entire financed amount. If you are unhappy with an existing lease due to unreliable equipment, machines that no longer meet your needs, or poor service and support, you might feel like you're stuck.

The good news is, SOS may be able to help you with a lease buyout. How does that work? We pay off the amount you owe on your existing lease, then bundle that amount into a new lease. If you've been overcharged or if we can take advantage of manufacturer incentives, we might even be able to lower your payment while providing better equipment.

And of course, you'll get our responsive, personalized service and support.

Feel free to reach out to us for a no-obligation consultation. We'll review your contracts and let you know what we can do to help.

ABOUT SUPERIOR OFFICE SYSTEMS (SOS)

Choosing your office technology vendor is as important as choosing the equipment itself. SOS is an award-winning dealer for the top office equipment brands, including Canon, Samsung, HP and Pitney Bowes. For decades, we have been providing reliable solutions for NYC area businesses with superior service and competitive prices.



Let the experts at SOS help you find the right technology solutions to maximize your office productivity, and finance them in the most advantageous way for your business.

WHAT SOS OFFERS THAT OTHERS DON'T

- A live person to answer the phone during business hours
- A dedicated service rep & point of contact
- 2 hour response time & remote monitoring
- Parts messenger to speed repairs
- Automatic supplies replenishment so you never run out
- Preventative maintenance
- Personalized service with local decision making to quickly and effectively handle issues
- We have your back and we'll never leave you without a solution: we earn our keep when things go wrong

At SOS, we focus on our clients' success at all times. We believe in open and honest communication. Even when things don't go according to plan, we get creative to solve problems and ensure customer satisfaction.

QUESTIONS? CALL SOS TODAY

We invite you to contact us personally to find out more about how SOS can help you maximize productivity with quality, reliable equipment, superior service and competitive prices.

SUPERIOR OFFICE SYSTEMS
Tim Glover: tglover@sosny.com

212-695-5588
Eric Wolf: ewolf@sosny.com

WWW.SOSNY.COM

