GUIDE TO

EQUIPMENT FINANCING






Commercial Credit Group

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EQUIPMENT FINANCING

01

You need reliable equipment in order to run a successful business. Upgrading or expanding your equipment can be a significant financial decision. When making purchasing decisions it is important to understand the economic effects that different payment methods have on the financial condition of your business - whether you pay cash, finance or lease.

When should you think about acquiring new equipment?

- If you are experiencing growth in your business
- When you begin a new project
- You want to expand the services you provide
- Your current equipment needs repair or becomes obsolete

Adding equipment can be a good decision if you have continuous, steady business growth, and expect that growth to continue. You may also need to acquire new equipment to accommodate a new customer or project or if you make a change or add to your current services. Replacing broken down or obsolete machines can lead to increases in productivity, capability, and efficiency.



02 WHAT SHOULD YOU CONSIDER WHEN BUYING OR FINANCING EQUIPMENT?

When making the decision to purchase new equipment, the urgency of the need and the demand on your current equipment are important factors to consider. Understanding these issues will help you determine which acquisition option makes the most sense: purchase, lease, or rental.

There is no clear-cut strategy for determining which acquisition method is best but knowing your equipment and business requirements will help you evaluate your best options and terms for leasing or financing machinery.

A few important factors when thinking about financing equipment:

- How long do you expect to own the equipment?
- What is the expected utilization of the equipment – number of miles or service hours?
- How much and how quickly is the equipment expected to depreciate in value?
- Does the loan amortization or lease payment meet your goals for potential resale or trade-in value?

When deciding on loan terms, loan duration and amortization are important items to consider. Comparing the amortization of the loan to the depreciation of the equipment will help you to determine the best finance terms for your equipment acquisition.

To evaluate the best options for your circumstance, answer these questions:

- What will the remaining payoff amount be at varying intervals (24 months, 36 months, 48 months)?
- At each of those intervals, what will the equipment be worth? Consider the use application, hours of service, miles driven, and maintenance for each.
- How do these values compare? Determine whether you would be in a positive or negative equity situation at each interval.

Short vs Long Term Business Needs

Many focus on their short-term cash flow needs and monthly payment amount when making equipment financing decisions. While a longer loan term can result in lower monthly payments, you may want to consider a shorter repayment term for your loan instead. Even though the monthly payments maybe slightly higher, a shorter loan term can often allow you to save a significant amount in interest. This can have a much better long-term financial impact than a slightly lower monthly payment or interest rate. There is also the added benefit of building equity on your equipment much faster. You may then be able to use that equity to support borrowing additional capital for your business or to acquire new equipment.

When deciding on the terms of your loan, some other details to think about are:

- What is a reasonable payment range that works for your business cash flow?
- What balance between cost savings, current cash flow, and accelerated equity best meets your business goals?

Equipment Finance Rates

For some businesses, cash flow, liquidity, and monthly payment are most important. For others, interest rate and borrowing costs (the amount paid over the lifetime of the loan), or building equity are a priority. A longer payment term with lower monthly payments can help businesses who are concerned about maintaining cash flow liquidity. If the desire is to pay off the loan sooner and reduce borrowing costs, then a shorter loan term with higher monthly payments is a better option.

Buying New vs Used Equipment

While new machines come with the latest and most up-to-date features, they often also come with sizable price tags. Depending on the industry, type of equipment and business needs, sometimes a less expensive used machine may be a better option.

New machines frequently provide:

- Increased capability and efficient energy use
- Improved features that increase productivity and throughput
- Lower maintenance costs

Pre-owned equipment benefits include:

- Reduced cost of acquisition compared to new machinery
- Lower depreciation compared to new equipment
- Immediate availability

As you assess various equipment options, understanding your business's requirements, challenges, and goals can help determine if new or used machinery is the right choice for your business. The right financing partner can offer options for either type of investment.

Paying Cash vs Financing

If you don't have cash available, the obvious choice is to finance your new equipment purchase. However, there may also be times when equipment financing is a good choice even if you do have the available funds. Spending all or most of your cash to purchase equipment can leave you without money for emergencies or daily operation costs. Yes, you will pay interest, but you'll also safeguard your cash flow for additional opportunities or expenses.



BUILDING EQUITY

03

While functioning equipment is essential for running your business, the equity from your machines can be used for more than just resale or trade-in value. Businesses can use this equity to get working capital loans to fund operations, buy additional equipment, or borrow cash for unforeseen expenses. Without equity in your equipment, these financing options can be limited.

Some questions to ask when thinking about building equity in your equipment include:

- Are you interested in expanding your business or buying out a competitor?
- Would you ever need to replace equipment early?
- Is there a possibility you could lose a material contract?
- What is the likelihood you may have a large unforeseen expenditure?

Market Value vs Book Value

Banks look at your financial statements to determine the value of your equipment, but typically they are only looking at the book value from an accounting perspective. Your equipment's book value refers to the purchase price less accounting depreciation; the market value is the amount your equipment is actually worth, in most cases, its resale value. A good financial partner will not only look at the book value of your equipment but will also take into consideration the real equity you have accumulated. Finding a partner who understands your business and the value of your equipment is invaluable when you are trying to purchase new equipment, obtain capital for growth, or to meet expenses.

Your financial partner can help you answer these questions:

- How much true equity do you have in your equipment?
- What are the best ways to use your equipment equity to accomplish your financial goals?

When determining how to account for taxable equipment value you should always consult your tax accountant.

CHOOSING AN EQUIPMENT FINANCE PARTNER

04

It can be hard to find the right partner when there are so many types of equipment lenders for equipment financing:

- Banks
- Captive finance companies (financial units of equipment manufacturers)
- Independently-owned finance companies
- Online lenders

Banks, Independents, or Captives

Within each of these broad categories, there are also a variety of options. Some are simply general lenders while others have extensive experience with heavy equipment financing. When determining the best options for an equipment loan, most businesses focus first on the interest rate. What many business owners don't realize is that the interest rate is just one small piece of the financing puzzle. The experience of your lender and your relationship with them often plays a much bigger role over the lifetime of your loan than the monthly payment or interest rate.

In addition to choosing a lender type, there are various loan structures available for equipment financing. While some lenders only offer loans or leases for the acquisition of new equipment, others can also offer used equipment financing, refinancing, debt consolidation plans, or working capital loans that cover a business's short-term operational needs.

The financing you should choose depends on your business goals, financial situation and equipment needs. These may change over time and it is important to choose a lender that is flexible and can grow with you as your business evolves.

To decide if a lender is a good fit, ask some important questions:

- Are they experienced in serving the industry in which you operate?
- Do they have experience financing the types of equipment you are looking to buy?
- What types of loans and finance structures do they offer?

- Are they committed to providing financing to your industry regardless of external economic influences?
- Do the types of loans and finance options they offer match your financial needs?
- Do they offer dedicated loan managers who are readily available when you need their support and guidance?

By answering these questions, you can determine if the financial partner you are evaluating is the right fit for your business. You may also choose to work with more than one lender for different business needs. Building a successful long-lasting business relationship involves first choosing a competent financing partner who you can trust.

Choose a Financial Partner That Speaks Your Language

Commercial Credit Group Inc. (CCG) offers many types of equipment financing, including new and used equipment purchases, debt consolidation, working capital loans, and existing equipment refinancing loans. We are experts in heavy equipment and understand the specific industry drivers that relate to the construction, manufacturing, transportation, and waste businesses.

What Makes CCG Different From Other Equipment Financing Companies

You are not just a number to us. We understand that time and money are two of the most valuable assets you have. When you finance with CCG, you get a local representative and industry expert who will meet you whenever and wherever is most convenient for you. This personal point of contact will support you throughout the loan process and provide exceptional customer service for years to come.

Because we are experts in heavy equipment and in the construction, manufacturing, transportation and waste industries, our team is able to provide clear information about your financing options and loan structures. When making recommendations we look at your full story and take current industry conditions into consideration.

As a CCG customer, you will also enjoy these benefits:

- A fixed interest rate for the life of the loan
- Adjustable payments to account for seasonal cash flow
- Flexible terms suited to your particular needs

- Refinance and debt consolidation options
- Supplementary working capital (cash-out loans)
- An easy and fast qualification process
- Coverage throughout the United States and Canada

As your loan partner, CCG looks at your full story. Your character, collateral, and cash flow all play into our credit decisions and we want to help make you successful. Our goal is to be a resource and educate you on all of your options. We help you understand and match your financing terms to you to provide the best financing solution for your business.



05

EQUIPMENT FINANCE SOLUTIONS FOR YOUR BUSINESS

CCG partners with you to finance the cost of buying a new or used machine, provide working capital to fund your operations, or help consolidate or refinance current loans. As your business needs and goals change and grow, we are here to support you.

Let our team of financing experts create custom financial solutions for you. Our construction, manufacturing, transportation, and waste industry expertise, years of practical experience, and specialized equipment knowledge combined with our dedication to exceptional customer service mean you have a financial services provider who is committed to helping you succeed and grow your business.



HOW TO GET STARTED

06

The Application Process

After receiving a request for credit, a CCG sales or credit representative will typically visit your operation to collect the following information for review. Having this information prepared ahead of that visit can accelerate your loan process:

1. **Your business narrative (history, ownership, customers, operations, future business plans**
    - This information helps CCG understand the borrower's business more fully, especially if there have been challenges in the past.
2. **Your two most recent business year-end financial statements or tax returns**
    - This provides us with a historical view of the company.
3. **Your most recent interim financial statements (prepared by an accountant, from QuickBooks or a bank statement)**
    - These provide a current snapshot of the borrower's financial situation, profits, revenues, and cash flow.
4. **An invoice for the desired equipment being purchased or refinanced**
    - So we can understand and value the equipment being purchased and provide the best loan structure for all parties.
5. **Credit references including contact information**
    - Shows the borrower's history with other creditors including payment histories and the ability to manage similar debt.
6. **Signed credit history authorizations**
    - Your permission to run credit history reports on both the business and the individual owner(s) of the borrowing business.

READY TO GET STARTED TODAY?

Our experienced team at CCG is ready to work on your request as soon as it is submitted. We pride ourselves in striving to provide you with the fastest turnaround possible because we know your time is valuable. The more information we have upfront, the faster we can make a decision and get you back to running your business and using your newly purchased equipment.

GET STARTED

Commercial Credit Group

1.855.893.0700

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