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Global Experience Provides Direction for Equipment Leasing and Asset Finance

Through collective knowledge and experience, The Alta Group provides value for its clients in the global equipment leasing and finance industry in outcomes that increase revenue, control expenditures, and improve productivity and profitability.

Decision Points...Brief

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When Will the Nightmare End for so Many in the Industry?



By Joe Nachbin and Mike Fleming

Today's Business Reality

With many companies postponing or cancelling equipment orders during the past year, restless nights were undoubtedly the norm for many lessors.

Unfortunately, as we begin 2010, sleep is still not coming easy for equipment leasing and finance companies.

When will the nightmare end for so many in the industry?

There were signs of the recession's demise as of late December, but most economists are still forecasting slow increases in employment. There is, however, an expectation that companies will spend more today for equipment that provides income-producing opportunities.

Capital, nevertheless, remains an invaluable resource. Those who have it are not anxious to invest or lend it, while those who need capital can only secure it for the best quality opportunities.

Fortunately, the performance of most equipment leasing portfolios has remained good, especially compared to real property finance portfolios. Furthermore, the business that is being done today is of better quality.

But, while margins have strengthened, they are still at levels that do not tolerate underwriting mistakes. Interest rates remain low, although most agree it is only a matter of time until they begin an upward creep.

Companies also are facing tremendous cost pressures. There is no room for inefficiency: in how people are organized and integrated for work, or the systems they use each day.

Consequently, in this environment equipment leasing and finance companies are spending more time on

transactions with either minimum creditworthiness or, when approved, have lower booking rates than in the past three years.

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Succeeding in an Uncertain Funding Environment: New Thinking Needed in 2010



By Bruce Kropschot and Tom Wajnert

It would be a gross understatement to say 2009 was a challenge for most equipment leasing and finance companies. We all know the pain felt by many in the business last year was unprecedented. Fueled by the poor economy, delinquencies increased and equipment demand significantly dropped. Many traditional funding sources were simply not available.

Most leasing companies that rely on the securitization market for funding found it closed, while many banks discontinued lending to leasing companies. Those that have remained in the market are much stingier with their credit approvals and advance rates. Only a few of the largest originators of equipment leases and loans were able to take advantage of the government's TALF program.

Furthermore, equipment leasing and finance businesses have been mostly unsuccessful in accessing public and private debt, as well as equity markets, during the past year. While independent leasing companies have been hit the hardest by these funding constraints, all sectors of the leasing industry have found the availability of funding to be a challenge.

How can an equipment leasing company improve its odds for funding success in the uncertain financing environment we face in 2010? First, a leasing company must continually assess market conditions and look for new financing opportunities. It is certainly not wise to be overly dependent on any one or two financing sources. We do expect new financing options to become available in 2010, and it would be wise to explore such new funding sources when they are introduced.

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When Funding is Tight, "What's the Deal?" Takes on New Meaning



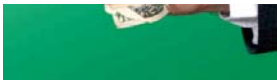
By Paul Bent

"What's the deal?"

That is the first question a lessor or lender asks when presented with a funding opportunity. And it may be the last, if one does not like the answer.

When funders ask this question they are using industry shorthand generally to mean, among other things:

- What kind of transaction is this? How complex is it? Is it a simple money-over-money loan to a reasonably good credit or an established account?



Is it an income tax-oriented lease that must be structured according to certain rules and requirements? Is it a full payout lease without any residual opportunity, or is it an operating lease in which we may realize some long-term upside

benefit?

· What is the nature of the underlying funding? What kind of equipment will secure the advance, and is it an asset type that we're familiar with? What business is the lessee/borrower in, and are we familiar with that industry? How essential is the collateral security to the business, operations, and cash flows of the lessee/borrower?

· What are the elements of risk in the transaction? What is the risk/reward balance? Is it a simple deal with an obligor that can readily repay our advance? Or is it a more complicated "story" deal with risk elements that must be thoroughly vetted before we will advance any funding? Are we getting paid adequately for the risk?

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Selling in Today's Funding Environment



By Tony Mynsted

Prior to the ongoing credit crisis, a large percentage of your customer's equipment investments were financed, either "internally" or "externally". In the past, "internal" financing would look like cash to you and the organizations you called on. It was the funding that they acquired through the capital markets. We now know that those markets are very tight: Less is available and it is more expensive.

How do you win business in this funding

environment?

You engage your customer's financial decision makers early in the sales cycle. This will give you the time to ascertain their business and financial requirements and tailor your solution to your customer's needs. Such an approach allows you to influence your customer's appropriations process. The good news is that, in most cases, "external" financing will have the credit capacity to help you win. If you work with a captive, quasi-captive, vendor or independent leasing company, it has a vested interest in making your deal work.

How you should change your "selling behavior" to win more business?

There are not any "silver bullets" to win business today, but the following activities would increase your sales in any funding environment:

- Integrate financing early in your sales process of key customers.
 - o Become the link between the customer's financial community and your leasing sales organization.
 - o Develop some basic lease acumen so you will become more comfortable calling on your customer's financial decision makers.
 - o Learn the key benefits of financing from the end-user's perspective.
- Understand your customer's appropriation process and how you can influence it for your benefit.
 - o Find out the difference between operating and capital budgets and where your business resides.
 - o Become familiar with how they choose which equipment investments secure approval.
 - o Tailor your sale to meet the needs of the customer's investment strategy. You need to call the customer's financial decision maker to obtain the requirements.

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