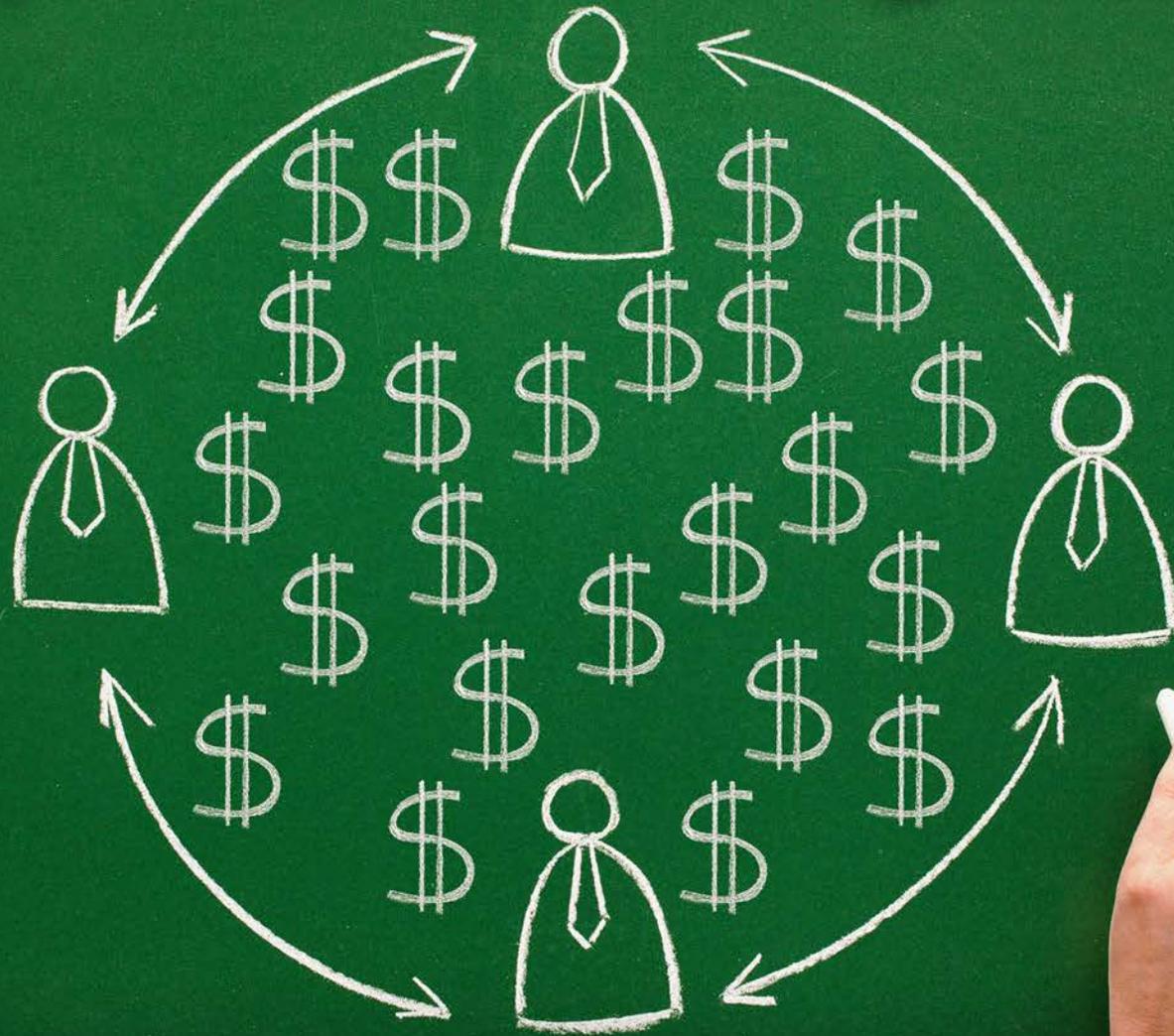


# A 360° View of the Equipment Financing Process



## Making Sense of the Financing Process



The financing process runs like clockwork here at Direct Capital. After all, we are in the financing trenches all day, every day. We understand that to people on the outside of the financing world, the process might not be second nature. In fact, it's typically quite the opposite. That's why we have put together this eBook to cover the ins and outs of the equipment financing process.

Inside this eBook you'll find:

- What you should know before you begin working with a lender
- How to select a lender you can trust
- What you should know about the application
- How to decipher the financial documents
- How funds are distributed from the lender

## The Plan

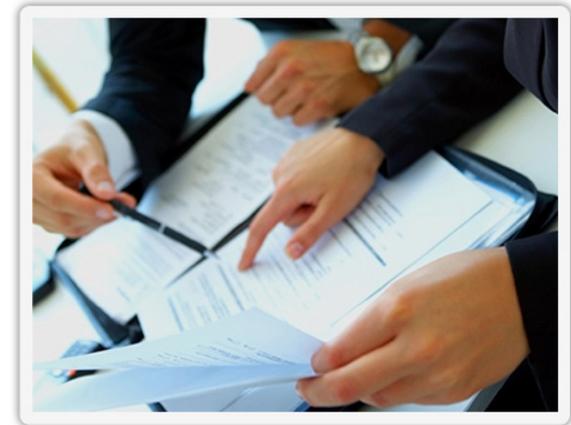


Approaching a lender for financing isn't something you should do on a whim. You will need to prepare first.

**Know what you need and why you need it.** Simply walking into the lender's office and saying "I need four trucks" likely won't get you very far. Why do you need those four trucks? Has your bakery business picked up so much in the last several months that you can't handle all of the deliveries with a single truck? Do you need to replace your current fleet of delivery trucks because they are ten years old and constantly breaking down? The key here is the reason. It may be obvious to you, but your lender is going to want to know how the new piece of equipment is going to be beneficial to your business.

**Consider your time frame.** If you have to make that massive amount of deliveries in your single truck tomorrow, you're going to need financing a lot sooner than if you're just looking to upgrade your fleet. It's important to have an idea going into the financing process of how soon you're going to need the equipment. That way, your lender will know from day one if they are going to have to move mountains to speed up the process for you – in many cases, they will.

**Know where your finances stand.** Before you go waltzing into that lender's office, you'll want to pull your credit report and recent financial statements. That way you'll have an idea of any errors or blemishes that might be red flags to your lender and you'll be prepared to talk about them. On top of this, you should be prepared to answer questions about your monthly, quarterly and yearly revenue, average bank balances, and credit history.



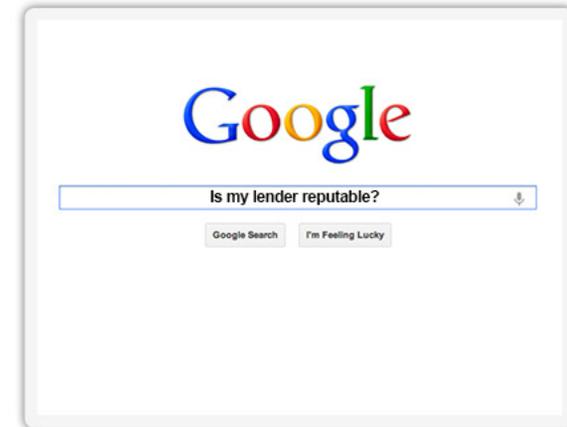
## Select a Lender You Trust



Now that you're certain that you need financing, the next part of the process is to find a good lender. Before you run right into your nearest bank, be sure to consider your options and do some research.

There are many different types of lenders, from a traditional bank to a non-traditional "alternative" lender. Consider what you are looking for and the benefits of each. Be careful, though, some banks will not finance used equipment and will likely put many more restrictions on your loan.

Once you're settled on the type of lender and think you've found a good place, go online and check out their website. Is there anything there that raises a red flag or doesn't sit right? Do a Google search and read all that you can about that lender. See if you can find reviews of other peoples' experiences. The more you know, the better. If you're not finding a rating like Direct Capital's A+ from the Better Business Bureau, then you may want to look elsewhere.



## Complete the Application



You've selected a financing partner you're excited to work with and you're ready to sit down and tackle the application. Easy, right? Maybe. Making a mistake at this part of the process could mean your funds are delayed, which could be costly if you're counting on that money for an important business need.

Remember, the lender is going to want to learn a number of things from your application – most likely the length of time that you've been in business, your overall revenue, an average bank balance, and your credit score. It's important to give the lender only and exactly what they ask for. If the lender wants to see bank statements from the last three months, don't send bank statements for the entire last year, even if it might paint your business in a better light. This will only give the lender more paperwork to sift through and could confuse the process.

On the same token, don't withhold critical information about your business. If they ask for bank statements for John Doe's Tasty Bakery, but you give them bank statements for your other operation, John Doe's Bread Shop because both businesses will be using the new equipment, but you didn't tell them about your second business in the first place, then you are going to slow down the process.



## Submit the Application



In the end, the timeframe depends on you as well. If the lender sends you the application, and you sit on it for four days before you send it back, you are slowing down the process for yourself. Be prepared for the lender to come back and ask for more information or clarification on parts of your application.

Once you have submitted your application, and it has been approved by the credit team (usually within 1-to-48 hours), the lender will begin to assess your options and what programs might be a good fit for your needs.



## The Financial Documents



This is when the lender will draw up the financial documents. The documents will include information on payment terms and your financial responsibility.

It's usually not necessary to have a lawyer go over the paperwork, but don't be afraid to call in counsel if there's something that doesn't sit right with you or something you just don't understand. Be sure to read the entire document carefully. Don't worry! Though it may seem like there is a lot of financial jargon in the financial documents, almost all of it has to do with consequences and actions the lender may take if you don't pay your bill on time. As long as you pay on time, you generally won't have anything to worry about.

Remember, if you do have an issue paying, call your lender first before just skipping out on your bill. Chances are they will be much more willing to work with you if you call and explain your situation.



## The Funds



Once the signed documents have been returned to the lender, the lender will ensure that the documents are signed in all of the correct places and that nothing has been altered. Now, the lender may begin the funding process.

The lender will call the vendor for the delivery date of the equipment and request their payment terms. At this point, the vendor will likely deliver the equipment to you. It is your responsibility to look over the equipment and ensure that it is exactly as advertised and free from damage. Look carefully, as this is an important step!

If all is well with delivery, you'll give the lender a verbal authorization and funds will be released to the vendor. In almost all cases, the contract will start when money leaves the lender's hands.



## Repayment



Once the funds have left the lender, the financing process is complete and the responsibility for repaying the loan lies in your hands. Be sure to make payment in accordance with your contract terms.

If your financial agreement is a lease, you will most often return the equipment at the end of the lease term, but in some cases you may be granted the opportunity to purchase the equipment at “fair market value” or at set a price outlined in the initial contract.

Now, you’re ready to finance your next piece of equipment!





## Other Resources

Be sure to check out our other exciting eBooks:

<http://www.directcapital.com/BusinessFinancing/Knowledge-Center/>

Helpful topics include:

- 8 Things to Know about Equipment Purchasing
- Anatomy of a Merchant Cash Advance
- Working Capital Loans 101

See what some of our previous clients are saying about us:

<http://www.directcapital.com/business/testimonials.aspx>

## ABOUT

As a leading direct lender, Direct Capital is well capitalized and positioned to serve the growing needs of businesses across a wide range of industries. Our goal is to build a finance program to support you over time as you open, acquire, remodel and upgrade equipment & technology for your business.

Here's a few more benefits of working with our team:

- Direct lender with over \$250M in capital available to lend nationwide
- Dedicated finance managers to support the specific needs of your business
- In-house underwriting/operations teams to expedite approval and processing
- Online application and documentation capabilities to streamline the entire process
- Broad programs available for various project types covering equipment and operating costs
- Strong project management skills including coordinating order processing, delivery, and payment across multiple vendors and contractors to ensure your project is completed efficiently

Learn more at <http://www.directcapital.com>