



PARAMOUNT FINANCIAL
Your Trusted Partner for Equipment Leasing & Financing

FAQ's

Are the payments quoted final?

No, a quote is simply an estimate based upon any verbal information provided. Payment quotes are intended to help you budget and plan for any particular equipment acquisition and may vary slightly as we complete the credit review and approval process. Final credit approval and exact payment terms can be expected within 24 hours after the credit application has been submitted.

Difference between a lease and a loan?

DOWN PAYMENT

Lease: A lease finances 100% of the equipment value and only requires the end user to make a few advance payments at the start of the lease (typically less than 5% and apply to payment terms).

Loan: A loan requires the end user to invest a significant down payment on the equipment (20-50%) in addition to paying larger setup and origination fees (2-5%).

LIENS ON BUSINESS

Lease: Leases traditionally only require the filing of a UCC-1 lien on the asset being financed. This simple lien affords your company the freedom to grow and borrow without any restrictions on other company assets.

Loan: A loan usually requires the borrower to pledge additional assets for collateral through the use of Blanket Liens. Blanket liens can inhibit a company's ability to grow by restricting access to capital when it is needed most.

DEPRECIATION & TAX BENEFITS

Lease: When structured properly, leasing affords end-users the ability to claim 100% of their lease payments as a tax deduction. The equipment write-off is accelerated because it is tied to the lease term, which is typically much shorter than IRS depreciation schedules, resulting in larger tax deductions each year.

Loan: End users may only claim a partial tax deduction for their loan payment in the form of interest and depreciation. Also note that these deductions must be spread out over the longer IRS depreciation schedules.

BALANCE SHEET & ACCOUNTING

Lease: When structured properly, leased assets are listed only as a monthly expense on your Income Statement. Therefore, leased assets do not appear on the balance sheet as liabilities, which can improve financial ratios.

Loan: Financial Accounting Standards require owned equipment to appear as an asset with a corresponding liability on your balance sheet. Visible liabilities can burden your balance sheet and inhibit your ability to borrow, when needed.



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QUALIFICATION

Lease: Leases commonly operate under “application-only” credit guidelines which translate to faster credit decisions with less financial information provided by the end user. Paramount’s credit decisions are typically in place within 24 hours or receiving a credit application. Leasing companies take into consideration the personal credit scores of the business owner(s) and thus have greater flexibility in our lending programs that allow us to approve a very wide range of credits.

Loan: Lengthy bank procedures commonly stretch the credit review process over several weeks, thus inhibiting the end user’s ability to source equipment at the time of need. Most banks require a minimum of 2 years financial history and thus rarely lend to commercial startups or younger companies.

TIME VALUE OF MONEY / RESTRICTIVE COVENANTS

Lease: Cash flow occurs evenly over the scheduled term or later in the lease thus making dollars “cheaper” based on the Time Value of Money.

Loan: A larger portion of the financial obligation is paid in today's more expensive dollars (security/down payments). Also note that a bank holds minimum balances in your checking account which means you are mostly borrowing against your own money. Ex: If you borrow \$30k from bank at 8% for 60 months, but keep \$10k in the bank on average, the effective rate to the borrower is really 26%.

EARLY BUYOUTS

Lease: Because of accelerated and certain tax benefits, lease terms are fixed in length and thus should not be treated like short-term loans. For clients that prefer a lease but wish to keep early buyout options available, we recommend requesting a shorter lease term that mirrors your targeted end date.

Loan: Loans do afford the end-user the ability to close out early, but keep in mind that open bank lines of credit (even if not being used) will not remove restrictive blanket liens.

Are there any term restrictions?

Most leases approve for payment terms from 24-60 months. On occasion, lighter collateral (such as software) can be restricted to 36 month terms. If you are in need of a specialty term, variable payments or seasonal payments, ask your Paramount agent for assistance!



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Can a customer payoff early?

Yes, you are able to payoff a lease early, but there are no substantial benefits for doing so. Leases are fixed in term, for tax benefit reasons, therefore a payoff would consist of any remaining contract balance. We always recommend that clients attempt to mirror their payment terms to the estimated schedule of use for the equipment. This way, any early termination will not require a massive acceleration of the contract terms.

What end of term options are available?

We structure our leases according to the needs of our customers. If you are not sure what you need, consult your accountant about the lease structure that may be best for your company. The most common end of term purchase options are as follows:

- i. **FMV (Fair Market Value)** = The FMV lease affords the lowest monthly payments (and traditionally the best tax advantages) to the end user over the term. After the scheduled lease term, the end user has the option to buy for FMV, return the equipment or continue leasing for another period of time. Depending on approval and your particular needs, this type of purchase option may be set at a specific percentage of the original equipment cost.
- ii. **\$101 / \$1 Buyout** = This is most common with clients that want to treat their lease more like a loan. Overall out of pocket expense is similar to that of an FMV lease, but traditional tax benefits typically do not apply to this type of purchase transaction. Although the equipment is still being leased, the client will have the option to buy the equipment for \$101 at the end of term. Many states do not recognize amounts less than \$101 as significant purchase options, therefore \$1 buyouts may not be available.



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What is the interest rate?

Paramount Financial provides a large variety of lease programs with promotional rates starting at 0% and traditional rates starting around 6%. Each client qualifies for their own program based upon their own personal & business profiles (i.e.: time in business, lease term, age of equipment, company credit, owner personal credit, etc). During the application process, our Paramount agents work hard to quote realistic payments and then place each client into the most competitive programs possible.

Can challenged credits still get approved?

Yes, Paramount understands that business owners can experience occasional slow pays, liens or judgments on their personal credit reports. Depending on the severity, we will likely still have a solution for your equipment needs.

Does Paramount approve “younger or start-up” companies?

Yes, Paramount has a large variety of approval programs targeted at helping newer companies. Ask your Paramount agent how much you may qualify for based on your specific need and credit profile!

What other products and services does Paramount provide?

Paramount provides a variety of financial products ranging from \$5K to \$5M. Ask about the following products as they may relate to your needs:

1. Capital Leases
2. Operating Leases
3. TRAC Leases
4. EFA – Equipment Financing Agreements
5. Working Capital
6. Municipal Leases
7. Factoring / Accounts Receivable Financing

Are bank statements, financials or tax returns required?

Not usually, but can help us secure a better approval for you. If you are willing to provide any additional financial information, please let your Paramount agent know up front during the application process.



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Why work with a Direct Lender like Paramount?

Paramount Financial reviews and approves most transactions internally, thus increasing the speed of the decisioning and funding process. We want our clients to have a quality experience from start to finish. As an added advantage, Paramount also has expanded credit reach through nationwide syndication partners. Again, our goal is to provide you the best terms possible, every time!

Advance Deposits 101 – What you need to know!

- iii. Most leases only require the end user to make a few advance payments at the start of a lease. Any required advance payments should apply to your overall contract term.
- iv. Paramount clearly lists documentation, processing & origination fees on the first page of our agreements. These common fees cover services associated with originating, producing, filing and funding lease transactions. Occasionally, transactions may require other services, such as location or equipment inspections, which would be billed immediately after funding your transaction.
- v. Beware of lenders that request a security deposit too early in the process. Make sure that your lender will provide you a full unconditional refund if the deal does not get approved or funded under the terms you originally agreed to! In addition, always investigate the Better Business Bureau report for any lender before signing an agreement or sending a deposit check! (www.bbb.org)