



Asset financing: Finding other ways to Finance Growth outside of the Triple Fs

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October 2020



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How does asset financing work?

Commercial Asset Finance is a fixed rate short term loan that uses the goods you are purchasing with the loan proceeds, as security. This means the bank has less risk and can offer better rates in comparison to its unsecured loans counterpart (Cashflow products, personal loans, credit cards, lines of credit etc)



What's the difference between leasing versus renting and fixed versus variable asset loans?

All Asset finance loans are fixed rate, secured loans. They generally run from 12-60 months; a banks sweet spot (depending on the chattel) is usually 36-60 months. Now, leasing vs renting gets many people confused. The best way to distinguish the difference is noting that these are products used to borrow money.

Leases, Rentals & Hire Purchase products mean you do not own the goods, you're just paying a 'rental' for a period of time. At the end of the term you will need to either hand back the goods or pay a lump sum payment, known as a residual value, the residual value on a lease is determined by the ATO.

Leases were a popular product for financing vehicles, particularly Novated & Fully Maintained Vehicles leases, however they have lost their popularity with many employers no longer offering them due to the FBT implications.

Rentals are still used with Businesses using these products to purchase IT, POS, type equipment, again these products are not overly popular anymore as they can end up be quite expensive.

There is another product known as either a Chattel Mortgage or Specific Security Agreement. This type of product passes the title flow ownership of the goods to you (So you can claim GST, etc) you also have more control over the term and structure of the loan, electing to have a balloon payment (lump sum final payment to reduce the monthly payment) or not, etc. This is by far the most popular form of asset finance.

What questions should I ask my finance broker to determine the types of financing assets in the marketplace that will be best for my business?

Your broker should actually be asking *you* questions, including:

- What are your planned capital expenditure requirements for the next 12 months
- What your business and personal lending profile is
- What current lending you have in place
- What your preferences are

In a pre-Covid environment, Asset Finance offered many low-doc products to allow businesses to obtain the equipment they need for their business quickly. However, they do have a limit.



Can maintenance of equipment be covered in the loan?

If your employer permits Novated Leases, you can elect a fully maintained lease, which includes all running costs, such as insurance, rego etc.

What information will my finance broker need from me to support my application?

Depending on the level of funding and equipment you are seeking will determine the amount of information required. During Covid times, banks are scrutinising businesses financial position and prospects more than ever.

Generally, your broker will require:

- Business application including borrowing entity, contact details, business background and current lending
- A Privacy Act
- Personal A&L for all directors and partners
- Most recent financials

With Covid, they may also request BAS Statements, Business Bank Statements and ATO Portals.

Is too much information better than too little?

Oversharing in finance is the best strategy. Your broker works for you, so making sure they have a full and honest picture of your business is extremely important. In today's lending environment, we want to ensure that the first time you present an application funder, it gets approved, what we call a one touch approval. We like no surprises and the more going back and forth to a bank, the more negative view they generally take, decreasing your chances of obtaining finance.

How do the lending institutions evaluate my application?

The 5C's of lending are:

- Capital
- Capacity
- Character
- Collateral
- Conditions

If you are looking for more information on this, we recommend reaching out to your finance broker or contacting Lisa Wilson from Finance with Heels.



What should I do if my loan application is rejected?

You need to know why it was rejected so you can work towards overcoming these objections in the future.

It is also important to know that one bank's *no* may be another bank's *yes*, as each bank has a differing appetite on what types of businesses, industries, assets and chattels they want on their books.



Special thank you to Lisa Wilson from Finance in Heels for lending her expertise.

Lisa Wilson is the founder of boutique finance broking business, Finance in Heels. Lisa started her finance career working for the ANZ and was selected from over 30,000 employees to be a part of the ANZ Corporate Talent Program, receiving a scholarship to study a Bachelor of Business as she worked her way across asset finance, relationship, management, product, strategy, banking and finance. Lisa wanted to be able to provide a full range of products available on the market tailored to each of her clients personal and business needs. Thus the creation of Finance in Heels, We work for you not a bank.