



Alternative Financing Vs. Traditional Financing

A guide to help you evaluate financing options for
your next business equipment or technology
purchase.





Understanding Business Equipment Financing Options

In any small to mid-sized business (SMB), there comes a time when your company decides to expand or needs to make decisions on equipment or capital improvements. This can be an exciting time for a business, as well as confusing when determining financing options.



One of the first questions SMBs face when looking to finance equipment or technology is to determine what type of finance product is best for their business.

In this guide, you will learn to evaluate options, consider the application process, up-front costs and more.



Finance Flexibility

Traditional Lending

Vs.

Alternative Financing

Soft costs such as sales tax, shipping, installation, training and software generally are not financed by a traditional loan.

Soft Costs

Alternative financing may cover all of the product and associated expenses so you may avoid upfront costs. This is typically called 100% financing.



You may be required to put 20% - 30% down on the total amount financed.

Down Payment

Alternative financing may be structured with no or low-down payment, which may enable you to avoid significant up-front costs.



Credit review can be long and tedious with delays.

Credit Decisions

Alternative financing may take as little as a few minutes for an approval.



With Ascentium's 100% financing, you may wrap soft costs into the finance agreement. This is a great way to avoid out-of-pocket expenses and a way to manage cash flow.¹

Traditional Lending

Vs.

Alternative Financing

Many traditional finance products make you the owner of the equipment, so the only tax advantage may be depreciation and interest.

Tax Incentives

Alternative financing may be 100% deductible or the equipment may be eligible for accelerated depreciation.



Traditional loans typically do not cover equipment that has limited collateral value. Some traditional lenders may lack equipment expertise.

Asset Flexibility

The flexibility of alternative financing may allow you to acquire nearly any new or used equipment or implement technology including software, cloud-based solutions and more!





Contract Simplicity

Traditional Lending

Vs.

Alternative Financing

You may be required to maintain minimum balances for the lowest rate. This may tie up working capital.

Compensating Balances

Alternative financing has no such requirement.

Traditional loans may contain restrictions and covenants such as maintenance of certain financial ratios, salary restrictions and restrictions on future debt. They may also incorporate the ability to demand early payoff.

Restrictive Covenants

None of these provisions are necessary for alternative financing.

Traditional lenders may prefer to classify loans as “revolving” which gives them the ability to extend or cancel the loan. This also makes the loan a current liability, which may negatively impact financial ratios.

Revolving Loans

Most alternative financing is fixed, long or short-term financing solution.



Ascentium's fast and flexible financing provides a multitude of lending options. You may get approved up to \$250,000 with a short application and an approval within minutes!¹

Traditional Lending

A traditional lender may seek a security interest in your company's assets (presently owned and acquired in the future) and perfects by publicly filing a UCC financing statement.

Lenders often want a full financial package to make a credit decision.

Lenders establish maximum borrowing limits for a company and generally the principals.



Vs.

Alternative Financing

Blanket Lien on Business

When using alternative financing, a UCC is filed only on the leased equipment.

Disclosure

Application-Only Programs require a short application for up to \$250,000.

Lending Limits

A multitude of lending options exist and can complement traditional lending.



Financing Structures

The type of finance product you choose may be dependent on retained or relinquished ownership of the equipment at the end of the finance contract. You should consider if you are able to apply Section 179 to accelerate depreciation.¹

Non-Tax/Capital Lease

A non-tax lease is attractive to companies that want to apply Section 179 and accelerate depreciation.

\$1 Buyout Lease:

The lessee owns the equipment at the end of the lease term for \$1.00.

Purchase Upon Termination (PUT):

Lessees must purchase the equipment at the end of the term for a pre-determined amount. Example: 10% PUT = purchase the equipment for 10% of the original cost.

Tax Lease/True Lease

A tax lease allows companies to retain ownership at the end of the lease. Payments may be deductible.

Fair Market Value (FMV) Lease:

This lease typically provides the lowest monthly payment and is a great option if upgrading frequently.

10% Option Lease:

A 10% residual is guaranteed on the equipment and allows companies the option to purchase the equipment for 10% of the original cost.

Equipment Finance Agreement (EFA)

EFAs function as a loan and allow companies to retain ownership.

Payments may be deductible.

With an EFA, companies may take advantage of Section 179.



In addition to the above products, additional alternative financing solutions are available including working capital small business loans, installment payments for software/cloud solutions and more.

To learn about **Section 179** visit: AscentiumCapital.com/Section179



At Ascentium Capital, we're creating the ultimate customer experience.



**96% agree that
Ascentium's products
meet their needs**



**90% indicated that
the credit
application is simple**



**91% say they
receive fast
financing quotes**



**91% say that the
finance process is
fast and flexible**

**If you would like more information, contact your Ascentium Capital
finance specialist today:**

Saul Farooqui

VP Sales

W: 281.921.3335

F: 281.921.3342

M: 562.396.6909

SaulFarooqui@AscentiumCapital.com

Connect with us!



23970 Highway 59 North | Kingwood, Texas 77339



¹Financing and instant decisions subject to credit parameters. Please contact your tax advisor regarding tax incentives since each business is impacted differently and may not be able to take advantage of all tax incentives. Loans made or arranged pursuant to a California Financing Law license.