DIRECTCAPITAL®
CORPORATION

Financing Made
Simple. Fast. Cost-Effective.

The Truth About Lease vs. Loan Financing

As a business owner, you know the importance of weighing all options when it comes to acquiring needed technology and equipment for your business. Whether you choose lease or loan financing, your decision will have a vital impact on the cash flow, asset management and budgeting aspects of your business.

Currently, over 80% of U.S. businesses make the strategic choice to lease finance some or all of their capital purchases. By taking a closer look at loan financing, and what your bank may not be telling you, it is clear why smart money leases equipment.

1) **Whose Money is it Anyway?**
   Banks typically require you to maintain a minimum account balance with them, keeping your money (often up to 30% of the loan amount) tied up for them to use while you are paying on a loan from them.

2) **The Fine Print**
   Banks will file a blanket lien against all of your assets. Additionally, banks can call the loan at anytime, for any reason, without notice. With lease financing you are protected, only the technology itself is secured as collateral and the financing agreement is locked for the term.

3) **Rigid Finance Options**
   Bank customers sacrifice flexibility when using their bank lines for technology acquisitions. When financing with Direct Capital, each finance option is customized to meet the unique needs of your business.

4) **Weakening of Balance Sheet**
   With a bank loan the total finance amount will be listed as debt on your balance sheet. Leasing the purchase will allow for off balance sheet accounting, enabling you to treat your acquisition as a tax deductible operating expense.

5) **Possible Ownership of Obsolete Technology**
   With a loan you pay for ownership, with a lease you pay for use. If you predict the technology is going to be obsolete in a few years, you don't want to own it. Leasing affords you the option to upgrade the technology throughout the term or give it back at the end of term.

6) **Inability to Effectively Budget**
   Based on the banks cost of funds, they can increase or decrease your payment from month to month. With lease financing, your payment is fixed for the term, allowing you to solidify your budget.

7) **Anything but 100% Financing**
   Banks rarely finance essential intangible costs, including: training, delivery, and installation or maintenance agreements.

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