

Case Study: Bank Leasing Support Program



- Client:** Client is a major banking institution serving a diverse mix of companies.
- Need:** *Lease Management:* In addition to traditional banking products, the bank received frequent customer requests for equipment leasing. The leases ranged in size from small ticket (under \$100,000) to middle ticket (\$100,000 to \$1 million) to larger amounts, and were both “full-payout” and FMV, “True Leases”.
- Key Issues:**
- (A) The lease requests required extra overhead and personnel, including specialized documentation; tax expertise covering both federal and local jurisdictions; processing and servicing capabilities; UCC legal expertise; insurance expertise; and equipment expertise.
 - (B) Bank management was not comfortable with the equipment risk associated with the diverse variety of equipment being leased.
 - (C) The bank did not want to simply decline customer requests. It could negatively impact the relationships. It could lead to loss of business and loan volume, and cause customers to turn to competing banks.
 - (D) The bank needed to manage the requests and track deal progress.
 - (E) The bank still wanted the loan volume related to the customer requests.
- Solution:** To meet the bank’s needs while addressing the key issues, AEL developed a *“Leasing Partner Program”* with the following features:
- (A) Co-branded Program set up so that AEL is the “leasing department” for the bank.
 - (B) Bank officers and managers were set up on AEL’s online *“Vision”* processing system to enter leasing transactions or work with AEL’s staff to enter the deals, track the status of the transactions throughout the process, and run reports.
 - (C) AEL credit underwriters used the bank’s credit guidelines to evaluate transactions, in essence, subcontracting the credit work. Using the Vision system, the bank monitored the credit process in real-time, giving it the ability to override credit approvals and declines.
 - (D) AEL prepared documentation for the leases, using co-branded, bank-approved

documentation, handled tax issues, insurance, equipment evaluation, verification of equipment delivery, progress payments, booking and funding.

- (E) At the end of each month, the bank was able to discount and fund pools of their bank-approved leases, thus giving them loan volume, but eliminating the lease paperwork.
- (F) On an ongoing basis, AEL handled the billing, collecting, insurance, tax processing, equipment management, and end of term issues.
- (G) For Fair Market Value, true leases where equipment risk existed, AEL provided the equity investment in the equipment.

Benefits: As a result of the program, the Bank was able to meet client requests, enhance customer relationships, and deter competition from other banks. In addition, it avoided additional overhead, and was able to benefit from AEL's expertise. By funding in monthly pools, the bank was able to reduce its funding cost, paperwork, and overhead while still achieving loan volume. Additionally, with Fair Market Value leases, the bank was able to avoid equipment residual risk exposure.

For Further Information:

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AEL Financial provides equipment leasing and finance solutions for lessees, lessors, vendors and financial institutions. We distinguish ourselves from conventional lenders and lessors by providing capabilities and services that those companies usually do not offer. Rather than competing with these organizations, we partner with them to provide the best possible solution to each of our customers.

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