Frequently Asked Questions

How can paying for an IT acquisition save my business money?
Leasing lowers your total cost of ownership. You pay for the equipment only over the term of the lease, NOT over the full life of the equipment. Leasing and capital leases both offer fixed, low monthly payments. This allows you to preserve your lines of credit and maintain your cash reserves. Leases can often be structured to offer no security deposit and no payments for 30 days. Deferred payment plans allow you to make payments later than normal trade terms allow and can be structured to better fit your cash flow, put assets into use earlier and capture tax benefits that might otherwise expire at the end of the current tax year.

FASB 13 tests Capital Lease Criteria (for determining if a non-cancelable lease is a capital lease):

1. Lease transfers ownership of the asset to lessee at the end of the lease term;
2. Lease contains a bargain purchase price;
3. The lease term is equal to 75% or greater of the assets economic life; and
4. The present value of the minimum lease payments over the life of the lease equals or exceeds 90% of the fair value of the asset.

Tax Impact = Balance Sheet Management: In addition to the positive impact that payment structures may have on your organization's working capital, they may qualify under FASB 13 for off-balance sheet treatment. This "Operating Lease" structure helps you maintain important balance sheet ratios (ROE), because there is not a Balance Sheet effect.

Seasonal Payment Plan:

A Seasonal Payment Plan is especially beneficial to customers that experience fluctuating time periods of higher and lower revenue production on an annual basis. A customer designates which three consecutive months the customer requires a reduced monthly payment. The remaining nine payments during each year will be calculated at a slightly higher payment amount.

Step Up Rate Program:

The Step Up Rate Program with reduced monthly payments for the first 12 months of a 3 to 5 year term lease offers attractive benefits for a number of different needs. Customers who are particularly interested in maximizing their benefits versus cost during their first year of equipment use will want to use this option.

When do my payments start?
Most lease payments generally start 30 days after you receive your equipment; however in some cases payments are quarterly with payments starting 90 days after delivery. We also often help structure a deferred payment offering to help address your cash flow requirements where payments may be delayed even longer. We also can generally obtain for you a “no down payment” plan. These plans help you begin earning revenue before you start to make your payments.

Do I have to provide insurance for the equipment I finance?
Yes, insurance is a requirement on all financed equipment. You should arrange for insurance in the same way that you would if you purchased the equipment.

What is the interest rate on my lease?
Like leasing office space, there is no actual interest rate on an equipment lease. Your monthly payment is determined by a lease factor. The lease factor is multiplied by your equipment cost to determine your monthly payment. The lease factor is based not just upon the lender's interest rate but also the residual value (RV) it assigns to the asset at the end of the lease term. The risk associated with the lender's equity position is crucial to determining the associated lease tax treatment, if the risk of ownership rests with the customer the transaction is treated as a financing, and must be included on your balance sheet (see the FASB 13 criteria above). However if the lender remains at sufficient risk throughout the lease, the asset is viewed as the lender's asset and is shown as an operating expense on your P&L with the associated tax benefit note above.

What is Fair Market Value (FMV)?
FMV, as it applies to the purchase option in a lease, is the dollar amount that your equipment can be sold for on the market at the end of your lease. Because market conditions change over time, this dollar amount is unpredictable today. Technically this is defined as the price an unaffiliated third party would pay for the asset if they were under no compulsion to purchase that asset.

FMV is usually chosen as a purchase option by those businesses that want the lowest monthly payment possible and are fairly certain that they will return the equipment and upgrade at the end of the lease.

ASK ABOUT NEW TECHNOLOGY REFRESH LEASE OPTIONS! The most profound change when you lease may be your willingness and ability to make timely equipment changes. In a leapfrog technology marketplace you may not be able to wait until the end of your depreciation cycle to move forward with upgraded technology, leasing can help provide options for replacing equipment with new equipment before the end of the initial lease term. Business opportunities rarely coincide gracefully with your capital equipment's depreciation schedule.

Can I move financed equipment from one location to another?
Yes, the financed equipment can be moved with a leasing company's approval. Generally you also need to make similar arrangements with the maintenance service provider. The equipment represents security for your payment obligation, and therefore lenders require knowledge of the assets whereabouts at all times.

Can I finance a portion of an order?
YES, financing can be arranged for full orders, partial orders or you may add on equipment ordered from other companies. Complete systems may be financed including hardware, software, maintenance, shipping, installations and professional consulting and/or training services.

Can I upgrade the equipment lease?
You can upgrade the equipment on lease. If its components can easily be removed at the end of the lease term you may elect to purchase the upgrade. If that asset is additional capacity (disk, CPUs, etc.) that is integral to the asset you may elect to lease the upgrade. When you lease such an upgrade, generally you would either rewrite the entire lease term, or shorten the lease term on the upgrade so that you are dealing with a co-terminous obligation.

When can I expect to receive my equipment?
Once we receive your complete set of signed lease documents via fax or mail, your order is placed with Agilysys. Once your order is complete, it is delivered to you under the Agilysys terms you negotiated with the order, which may include the warranty and license rights.

How do I return the equipment at the end of my lease?
If you are not going to purchase the equipment at the end of your lease, it is your responsibility to return it. The lender will ask you about your intentions roughly 90 days before the end of your lease and it can assist you in arranging for the asset's return if that is your desired course of action. However, Agilysys Financial Solutions seeks to identify and review various upgrade and renewal options during the last year of your lease term.

Can I terminate my lease early?
A lease is a non-cancelable contract. If you choose to terminate the contract early, you are responsible for the remaining stream of payments on your contract as well as other fees and expenses that may be incurred by the lender. If you think that you may want to terminate your contract early, you would be wise to choose the shortest lease term possible. This unattractive feature should be weighed against the prospect of trying to liquidate a purchased asset before the end of its useful life. This likely represents an equally unattractive prospect (except your capital would be tied up until you found someone to buy that asset). Please understand because our lenders are regularly involved with a stream of off-lease equipment they are much better positioned to help liquidate IT assets coming off leases then most customers — in fact it's one of their core competencies.

What about sales tax?
Sales tax is added to your monthly lease payment each month and charged separately.

What is a Synthetic Lease?

A synthetic lease is an equipment leasing option that appears as a lease from an accounting standpoint, but as a loan from a tax standpoint. Essentially it is not recorded as a liability on the balance sheet, but as an expense on the income statement. The result is an off-balance sheet account of the financing and the tax benefits that go along with the financed equipment.

What is the typical financing process?
You fill out a simple credit application. In certain instances, other financial information may be required such as tax returns or financial statements. The supplied credit information is reviewed, and upon approval, the finance documents are prepared and sent to you for signing. A purchase order is then issued to your equipment vendor. Upon delivery of the equipment and acceptance by you, the equipment is paid for and the financing commences.
