

Financial *Horse-trading*

The best way to fund your next crane purchase

You've considered adding to your crane fleet for a while and the time is right to make it happen. You've got the machine picked out. Now it's time to talk terms. Do you lease or finance? When we posed that question to several equipment money experts, the immediate answer was always the same: It all depends.

Getting the handshake

Though the market has eased up a bit, credit model guidelines have not changed. So, if you're a start-up, you'll have a tougher time getting financing. Start-ups are the most difficult; a bank is not going to just give out \$200,000 or \$300,000 if they don't know you. Many banks won't even loan money for large equipment to their best customers. They simply do not understand the industry and fear acquisition of the equipment.

One way of increasing your chances of getting a loan is by working with a financing firm that knows the crane industry. Scott Blair, President of Heartland Wisconsin Corp., a Milwaukee, Wisconsin company specializing in financing for those who may have limited or no credit history says, "However you choose to finance your crane, always work with a professional company that specializes in crane financing. This will help you get the best terms today and down the road as your company grows and your needs change."

A crane financial specialist is often more flexible than a bank and requires less paperwork and collateral. In fact, says Blair, a large percentage of the collateral required can actually be the crane you are financing. "An experienced equipment loan specialist should work with you to lay out all of your financing options and then create a custom financing package that best fits your needs."

Loan vs. lease

The tricky part of financing is when the talk turns to loan vs. lease. "Comparing leases to loans is like comparing apples to oranges and asking which is better," says Blair. "Crane leases are

offered by companies that specialize in crane financing. Crane loans are offered through crane financing companies or banks."

The biggest advantage to crane leasing, says Blair, is that it keeps your equipment off your balance sheet. If the buyout at the end of your lease is at least 15 percent, you can write off 100 percent of your lease payments. Another benefit of this type of lease is that it helps with bonding issues because you don't officially "own" the crane until it's purchased at the end of the lease term.

Leases generally require less of a down payment than a loan and offer you a lower monthly payment, he says. This equals less cash out of your pocket up front and each month. This also means you don't have to dip into your bank line of credit as much, or at all. Crane loans, on the other hand, offer the highest depreciation write offs. "You also own the crane at the end of the loan," says Blair.

If you are adding an additional crane, you might want to consider using the equity in your current crane as your down payment or to bring your monthly payments down even lower by consolidating multiple pieces of equipment. In some cases you can even get cash back, he says.

"If you need a crane, act sooner than later. Since Hurricanes Katrina and Rita hit in 2005, the prices of new and used cranes keep going up by sometimes thousands of dollars per month due to a shortage of equipment," says Blair. "The good news is that interest rates have remained pretty

constant over the last few years, keeping payments on purchased or leased equipment relatively low compared to rental payments. In fact, monthly rental payments can be up to twice as much as monthly lease payments."

Adding a crane to your fleet should be a positive experience. You can make it one by doing your homework before you sign on the dotted line.

Edited article from Crane Hot Line, July 2007

**"If you need
a crane, act
sooner than
later...
...the prices
of new and
used cranes
keep going
up..."**