

## Facts about leases that may be a Problem for you.

### Banterra Bank may have the solution!

Problem #1: *Most leases, even Capital Leases, are non-cancellable.* If you try to pay extra the funds will just go to pay ahead, effectively increasing the over-all rate you will be paying the leasing company. There is no benefit to making your payments early as a non-cancellable lease has a fixed amortization.

Solution: Banterra equipment loans utilize the *Simple-Interest Method*. This means that you benefit from a daily interest accrual. If you pay early, you will decrease your total interest over the life of the loan. If you pay extra, those funds will go right against the outstanding loan balance.

Problem #2: *Most leases have significant prepayment penalties.* A prepayment penalty will dramatically increase the cost of your financing should you need (or choose) to pay off your contract early.

Solution: Most Banterra loans do NOT have prepayment penalties which means you can *pay off your loan at any time* in full or part and not incur a prepayment penalty. We do have a minimum interest charge of \$100.

Problem #3: *Leases do not disclose the rate on the documents.* There are many reasons why lease contracts do not disclose the rate on the documents. The leasing rep may have quoted you the lease rate (or payment stream rate), not the true Annual Percentage Rate. This method of quoting rates allows leasing companies to quote a rate that is not the true interest rate you will pay. Additionally, as leases are not simple-interest contracts utilizing a daily interest accrual, a lease cannot disclose the rate as they are non-cancellable and have a fixed amortization.

Solution: At Banterra, our loans disclose the interest rate right on the documents so you know for sure the rate you are paying!

Problem #4: *In addition to prepayment penalties, many leases have hidden "break-funding" penalties to help ensure that the leasing company makes a minimum profit on any contract.*

Solution: Banterra simple-interest loans can be paid early in full or part with *no prepayment penalty* in most cases.

Problem #5: *Most true leases or operating leases will have Depreciation Recapture if the leases are terminated early.* The reason for this is that the leasing company technically owns the equipment during the life of the lease and therefore the leasing company receives the benefit of the depreciation. If you pay it off the lease early, you may have to pay back the leasing company for some of the depreciation. You may in fact owe more than you borrowed in the first place.

Solution: At Banterra, our product is a loan, not a lease. This means that we pass on any *tax benefits* of equipment ownership, including depreciation, to you the customer.

Problem #6: *Leases do not offer the ability to pay down the loan ahead of schedule my making additional principal payments.*

Solution: Banterra equipment loans are simple-interest and *allow additional principal payments* at any time. The extra funds go right against the outstanding principal loan balance.

Problem #7: *Most billing statements from leasing companies bill a monthly "rental" payment.* It is difficult to reflect these payments accurately your company's accounting system.

Solution: Monthly statements from Banterra contain a *breakout of principal and interest* which can easily be loaded into your accounting system.