

# What's Behind the Hottest Equipment Markets?

Members weigh in on the 2021 equipment market forecast



**Emerging Talent's  
Hidden Heroes**

**Stoking the Fire of  
Women's Leadership**

**Importance of  
Company Culture  
During COVID**

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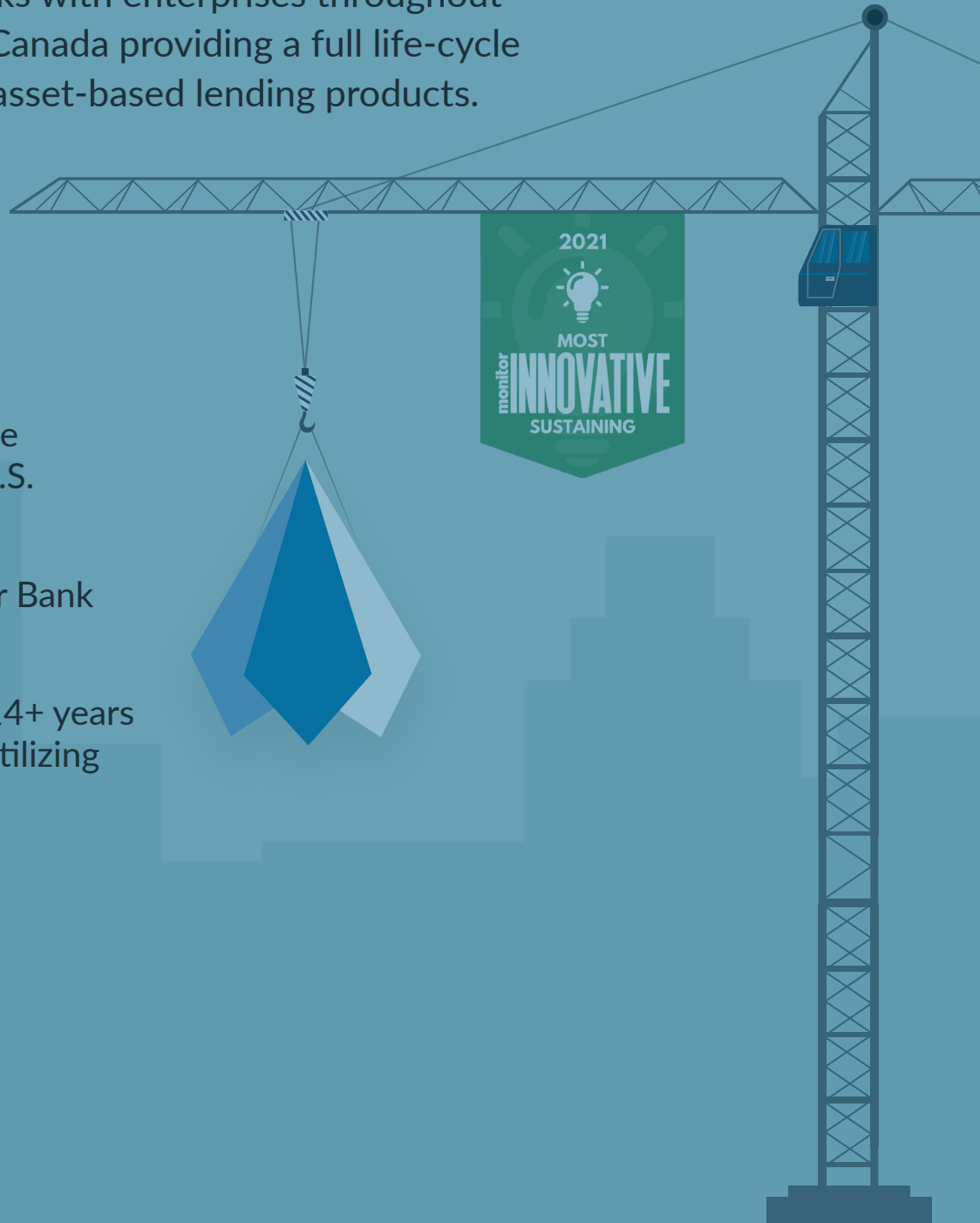


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# Meeting Your Need for Industry Information



**ACCESS TO ELFA RESEARCH AND DATA** is one of the primary benefits of being an ELFA member. As part of our ongoing commitment to providing valuable information to the membership, we recently conducted a series of focus groups with the association's business council steering committees.

We asked the Captive and Vendor Finance, Financial Institution, Independent, Service Provider and Small Ticket BCSC to assess ELFA research/data and information products. Through a pre-meeting survey and a series of in-depth discussions with

each group led by Bill Choi, ELFA VP of Industry Information, we asked:

- Are you aware of various ELFA data, benchmarking and statistics resources?
- Do you use them?
- How important are they to you?
- What kind of delivery mechanism do you prefer in using them?
- Is there additional business information that you'd like ELFA to provide?

Thanks to thoughtful and candid responses from each of these diverse groups of industry leaders, we came away with insights that will help shape our industry information development, delivery and marketing moving forward. Please stay tuned for more to come! In the meantime, if you've got a research question or you'd like to weigh in on ELFA's offerings, please contact Bill Choi at [bchoi@elfaonline.org](mailto:bchoi@elfaonline.org).

## On the Cover

We look at one of our most popular vertical market reports, the annual "What's Hot,

What's Not? Equipment Market Forecast," in our cover story. See the 2021 survey results and hear what members have to say about the findings on p. 18. If you're looking for more data on equipment verticals, don't miss the latest from the Equipment Leasing & Finance Foundation on p. 42.

## Upcoming Events

We have seen active participation in ELFA virtual conferences, webinars and networking gatherings in 2021, and we're planning an exciting lineup of events in the coming months. One highlight will be the Emergence2021 leadership conference on July 14. Find out what's planned for this special event in our feature story, "Emerging Talent's Hidden Heroes." As the author notes, ELFA's up-and-comers have shown grit and innovation during COVID-19, and the Emerging Talent Advisory Council is developing an agenda to serve this important constituency.

Please see the full event line-up—including the 60th ELFA Annual Convention, planned for Oct. 24-26 in San Antonio, Texas—on our website at [www.elfaonline.org](http://www.elfaonline.org). Thank you as always for your support and participation. ☰

A handwritten signature in black ink that reads "Ralph".

**RALPH PETTA** is the President and CEO of the Equipment Leasing and Finance Association.

## Executive Committee Sets Agenda



**THE ELFA EXECUTIVE COMMITTEE** met virtually in mid-March under the leadership of Board Chair Kris Snow. The Committee, which is the association's primary management body, meets throughout the year to assess the strengths and weaknesses of the association and make decisions regarding programming, policy and budget priorities covering the near and long term.

The leaders discussed a number of high-priority items focusing on the strategic direction of the association with the ultimate goal of ensuring that ELFA programs, products and services are responsive and continue to deliver value to members—despite the challenges presented by the COVID-19 crisis.

ELFA President and CEO Ralph Petta reported that the association is off to a strong start in 2021 with solid membership renewal/recruitment and virtual event attendance and an active federal and state advocacy agenda. The committee reviewed

and approved program updates in the areas of membership, business and professional development, public policy, research and industry information, and communications. In addition, they discussed diversity and inclusion initiatives and early plans for the 2021 ELFA Annual Convention, which is scheduled to take place in-person on Oct. 24-26 in San Antonio, Texas.



## Announcing the Mobile App Contest Winners!

**CONGRATS** to Jenaleigh Lathrop, CLFP, Sales Support Specialist at Arvest Equipment Finance, and Bruce Winter, CLFP, President of FSG Capital, Inc., winners of the February and March ELFA Engage mobile app contests. Both picked up some fun ELFA swag—and became members of the #ELFamugclub! Download the app today and join our latest contest at [www.elfaonline.org/app](http://www.elfaonline.org/app).



## Conversations You Don't Want to Miss

**MAKE SURE YOU SUBSCRIBE** to ELFA's [Equipment Finance Matters podcast](#) to tap into valuable discussions with leaders in the equipment finance industry. New conversations in 2021 include:

- **Stoking the Fire of Women's Leadership** – Find out what the ELFA Women's Council has planned for this year from Deb Baker, Jen Fanz and Lexie Dressman.
- **Sales Talk** - Jeff Dicosola and Jesse Johnson discuss how the pandemic has impacted sales and how to stay "top of mind" with clients when you can't visit them.
- **No Fear of Failure** – Kris Snow shares the biggest challenge and rewarding risk in her career, her priorities as ELFA Board Chair and more.



## Nominate a Leader

**THE MICHAEL J. FLEMING DISTINGUISHED SERVICE AWARD** honors the accomplishments of an outstanding ELFA volunteer who has made a significant contribution to the association and the industry, and who also encourages others to contribute to the development and growth of the industry. Submit your nomination by June 24 at <https://www.elfaonline.org/about/awards>.



### Membership Minute

**SUBSCRIBE** to ELFA's online, members-only communities (*LeaseTalk*, *AcctgTalk*, *LegalTalk* and *TaxTalk*) within ELFAConnect to share and exchange information with your peers. Members have the option to communicate with the community they are subscribed to by posting questions and responses via email or through the online community portal. Members may now upload and share files within each community. To connect and get started, please visit <https://connect.elfaonline.org>. Questions? Please email [communities@elfaonline.org](mailto:communities@elfaonline.org).



## Learn and Network at ELFA Events

**CHECK OUT** the 2021 ELFA Annual Calendar of Conferences, Workshops and e-Learning Opportunities at [www.elfaonline.org/events](http://www.elfaonline.org/events). Check back often as the association adds new business and professional development options for you and your team.

## Best Practices Roundtables: Problem Solve. Share Best Practices. Network.

**THE BANK, CAPTIVE AND VENDOR FINANCE, INDEPENDENT AND SMALL TICKET AND BEST PRACTICES ROUNDTABLES** are designed to bring senior equipment finance executives together for information sharing and critical thinking about the issues facing leaders today. These virtual roundtables are free events available exclusively to ELFA members. The Independent Roundtable took place April 29 and focused on "Building Your Technology Roadmap." Upcoming roundtables include:

- May 27: Bank Best Practices Roundtable
- June 3: Small-Ticket Best Practices Roundtable
- June 17: Captive and Vendor Finance Best Practices Roundtable

Learn more and register at [www.elfaonline.org/events](http://www.elfaonline.org/events).

## Calling All Credit & Collections Pros

**SAVE THE DATE** for 2021 Credit & Collections Management *LIVE!* Managing Risk in a New World on June 7-8. This virtual event will include sessions on the state of the economy, human capital issues, the legal and regulatory environment, risk and other relevant topics. Register at: [www.elfaonline.org/events/2021/CC](http://www.elfaonline.org/events/2021/CC)



## Emergence 2021



**LOOK TO THE FUTURE!**

## Think, Act and Empower Like a Leader at Emergence2021 *LIVE!* on July 14

**EMERGENCE2021 *LIVE!*** is a one-day virtual event that will focus on leadership development for aspiring leaders across equipment finance. If you have the desire to lead, grow and make a positive impact, Emergence2021 *Live!* is for you! This year's program features two outstanding guest speakers:

- **Pierre Quinn:** Back by popular demand, Pierre will empower participants to activate the courage that leads to personal transformation and organization growth.
- **Terry Grim:** Author of the Foresight Maturity Model, Terry will lead a discussion on moving from "knowing" to "doing."

Emergence2021 *Live!* is open to anyone who would like to attend. The cost is \$395 members/\$795 non-members. Register at: [www.elfaonline.org/events/2021/Emergence21](http://www.elfaonline.org/events/2021/Emergence21)

## Virtual Principles Workshop Coming Sept. 21-23

**YOUR PEOPLE ARE STILL YOUR BEST ASSETS—** make sure you've given them the skills and knowledge needed to compete effectively in the marketplace. For over 25 years, the Principles Workshop has helped attendees become more confident and given them a greater understanding of how the equipment finance industry works—and the virtual workshop is no different! The workshop will feature three interactive sessions and class size will be kept small to maximize student-instructor interaction and attention. For more information and to register, go to: [www.elfaonline.org/events/2021/POLSEPT](http://www.elfaonline.org/events/2021/POLSEPT).



## Tech Team Preps for Fall Conference

**THE OPERATIONS & TECHNOLOGY COMMITTEE** met virtually in April 2021 under the leadership of Chair Jennifer Martin of Key Equipment Finance to plan the 2021 Operations & Technology Conference.

*Thank you to the Operations & Technology Planning Committee, including Chad Carlson; Tina Cartwright, CLFP; Allison Conley; Andrew Cotter; Theresa Eichten; Jeffrey Emrich; Keelie Fitzgerald; Keith Goepfert; Peter Haug; John Hurt; Jennifer Martin, Chair; Ron Meyer; Steven Nelson; Lisa Nowak; Sheila Oliver; Candace Reinhart, CLFP; Tawnya Stone, CLFP, Award Sub-Committee Chair; and Denis Stypulkoski.*

## Save the Date: Innovator Roundtables

**ELFA IS PLEASED TO ANNOUNCE** two new virtual events on Aug 26 and Nov 18 hosted by ELFA's Technology Innovation Working Group and Deb Reuben of TomorrowZone. Don't miss this opportunity to examine how technology and innovation are shaping the future of equipment finance and prepare for what's next. This is your opportunity to engage with diverse voices and build your action plan for the future. Watch for details at [www.elfaonline.org/events](http://www.elfaonline.org/events).



## Annual Report Highlights ELFA's Value Proposition

**THE THEME** of the ELFA Annual Report, "We Are ELFA," celebrates the association's community of professionals who come together to engage with each other, learn from each other and advocate for the equipment finance industry and its important role in our economy. Learn more at [www.elfaonline.org/about/](http://www.elfaonline.org/about/).



## Executive Roundtable *LIVE!* Draws a Crowd



### THE EXECUTIVE ROUNDTABLE *LIVE!*

brought 100 top equipment finance executives together virtually on April 6 to discuss the latest trends impacting the industry today, to strategize about the future and to create lasting business relationships. At the event, thought leaders shared their insights into the economy, the future of work, digitalization and its evolution, and consumption-based leasing. Featured speakers included Mike Faulkender, Former Assistant Treasury Secretary for Economic Policy, and Rita McGrath, Expert on Business Strategy in Uncertain Environments, Acclaimed Thinkers50.

## Listen to Candid Conversations in Diversity

**IN CASE YOU MISSED IT,** [listen to the recording](#) of the ELFA Wednesday Webinar “Candid Conversations in Diversity” moderated by Dr. Hakeem Oluseyi. ELFA members discussed candid stories of personal and professional growth in their diversity experiences and perceptions due to environment, region and social standing. Members shared positive feedback, with one attendee writing:

*“Thank you for all that was done to allow me to be a part of the audience for the Candid Conversations in Diversity. I had a dozen reasons, excuses and biases that I pushed through to attend. I thought I was wearing the good guy hat in this conversation already. I was wrong and I **learned so much about my environment and myself attending these.** The events and participants overdelivered in candor and transparency. Hats off to the entire team involved.”*



## Catch Up on Wednesday Webinars

**RECENT ELFA WEDNESDAY WEBINARS** include the **ELFA CFO Roundtable**, featuring a panel of industry experts who discussed important and hot topics for CFOs in 2021. The panelists based their discussions on topics submitted by attendees during registration, covering accounting and financial reporting, business footprints, income taxes, business economics, risk assumptions and more. In addition, “**eSigning and eLeasing: What Do You Want to Know?**” answered a wide range of attendee questions. Recordings and session materials for these webinars are available on the [Web Seminars](#) page of the ELFA website.

## Equipment Management *LIVE!* Kicks Off 2021 Virtual Events

**THE ELFA 2021 EQUIPMENT MANAGEMENT LIVE!** virtual event took place Feb. 23-24. With over 180 attendees, 49+ speakers, 15 concurrent sessions, 12 exhibitors and 9 sponsors, this first ELFA virtual conference of 2021 was a success! For more than 30 years, the Equipment Management Conference and Exhibition has stood strong as a powerful voice and content-rich event serving equipment management professionals.

## Virtual Conference Draws Industry Pros, Institutional Investors

**THE VIRTUAL INVESTORS’ CONFERENCE** on Equipment Finance held on March 11, hosted by ELFA and the Information of Management Network, drew some 225+ equipment finance professionals, institutional investors and service providers who support the industry. Thank you to all who attended!





# Operations & Technology Excellence Award

Has your company demonstrated a best practice with an innovative use of technology to:

- Improve operations? • Enhance customer interactions?
- Enter new markets? • Build overall ROI?

*Then you might be eligible to win!*

## Previous O&TE Award Winners:

- (2020) TIAA Commercial Finance Inc.  
COVID-19 Special Project Winner: Volvo Financial Services
- (2019) Cisco Systems Capital Corporation and John Deere Financial
- (2018) CWB National Leasing Inc.
- (2017) CIT Direct Capital and Mintaka Financial (Honorable Mention: Cisco Systems Capital)
- (2016) LEAF Commercial Capital, Inc. and National Leasing
- (2015) Element Financial Corporation and Quick Bridge Funding, LLC
- (2014) BB&T Equipment Finance Corporation and Wells Fargo Equipment Finance, Inc.
- (2013) TCF Equipment Finance, Inc. and SunPower Corporation
- (2012) AIG Commercial Asset Finance and LEAF Commercial Capital, Inc.
- (2011) First American Equipment Finance and ICON Capital Corporation
- (2010) Winthrop Resources Corporation
- (2009) Key Equipment Finance and PHH Arval
- (2008) Orion First Financial LLC and Trinity Industries Leasing Co.
- (2007) TCF Equipment Finance, California First National Bancorp and Xerox Capital Services
- (2006) Farm Credit Leasing
- (2005) Sytx Capital, Relational LLC
- (2004) Cisco Systems Capital Corporation
- (2003) AgStar Financial Services and National Leasing Group
- (2002) ABB Financial Services, IBM Global Financing, and Caterpillar Financial Services Corporation

*Does your company belong on this list?*

**SUBMISSION DEADLINE: MONDAY, JUNE 21, 2021**

Winners of the O&TE Award will be recognized at the  
2021 Operations and Technology Conference, scheduled September 13-15, 2021.

For more details, please visit the O&TE Award website: [www.elfaonline.org/About/Awards/OTE/](http://www.elfaonline.org/About/Awards/OTE/)



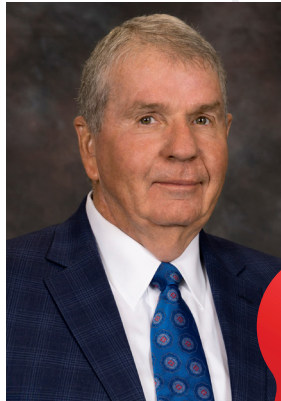
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# Building a Track Record of Success in a Niche Market

On ELFA's 60th anniversary, a 30-year ELFA member company reflects on the past and looks to the future

1961

**THE YEAR 2021 MARKS ELFA'S 60TH ANNIVERSARY.** We're celebrating by taking a look back as well as forward, imagining what the future will hold. In this issue we talk to Larry Stevens, President & CEO of Med One Capital, which is celebrating 30 years as a member of ELFA. We'll talk to other companies celebrating "milestone" ELFA membership anniversaries throughout 2021.



**Q** 2021 marks Med One Capital's 30th year as an ELFA member. To what do you attribute your company's longevity in the marketplace?

**A** We believe that we have been in this market for 30 years largely due to two factors:

1. Med One brings a unique and customer-centric service to our customer base. Given that we have chosen to serve the acute care hospital market, we have a very limited market. Our ability to provide real value added through our creativity, simplicity and responsiveness has allowed us to stay in this segment of the market. Because our customers appreciate what we do, we have enjoyed a remarkable rate of customers doing multiple transactions with us, and we have been able to grow our company without having to stray very far from our chosen market segment.

2. The company was founded in 1991 by the original owners—myself and Brent Allen. We decided early on that we were not trying to build our company to sell but to remain in the marketplace, continuing to serve our customers in the way we have always envisioned it should be done.

We are now in the process of handing the keys over to the next generation. Our leadership team is committed to the same values that we have held as it relates to what we do, and we are very comfortable that they will continue on with this legacy.

**Q** Why is it important for your company to be a member of ELFA?

**A** I have been in the equipment leasing business since 1967, and Brent has been in leasing since 1978. Our careers have been centered in this industry. When we started Med One, we felt that the best way to demonstrate legitimacy and credibility to our customers and other business partners was to be members of the premier organization that serves and represents the equipment finance industry. That reasoning continues to this day. Being members of ELFA provides us so many benefits in terms of education, advocacy and access to resources and key contacts that our investment in the association has repaid us manyfold.

**Q The equipment finance industry is evolving. What are some ways you've seen the industry evolve over the course of your career? In what ways would you like to see or do you expect to see the industry evolve by ELFA's 100th anniversary in 2061?**

**A** When I first started in this business, literally the only way to do business in any location away from the main office was to establish a fully staffed branch office. That was expensive and cumbersome. Things begin to change somewhat when fax machines were invented and overnight package delivery came into being. Internet technology has totally revolutionized the way we can do business today versus how it had to be done in 1967.

Over the years, I have seen our industry have to adapt to changes in tax law, changes in accounting philosophy, and changes in the way equipment and technology are manufactured and produced. If you are in the day-to-day fray, you don't notice these things so dramatically. It is only when you step back and reflect upon

where we have all come from and how our industry and our lives have changed over time that you realize how dramatically things have evolved.

I have always believed in the entrepreneurial spirit that is at the core of our industry. My hope for the future of the industry is that the entrepreneurship that created it and helped it to grow and survive will once again emerge as the driving force of the association. Having built my career in this industry, I can think of nothing else that I would have rather done. ☐

2021

## 2021 Membership Milestones

ELFA is pleased to announce the companies that are celebrating ELFA membership milestone anniversaries this year. We thank all companies for your membership, and we are pleased to recognize those that have been members of ELFA for 20, 25, 30, 40 and 45 years! See the full list at [www.elfaonline.org/milestones](http://www.elfaonline.org/milestones).

## ELFA Through the Years



Watch a video timeline of the association's notable achievements from 1961 to present at [www.elfaonline.org/60th](http://www.elfaonline.org/60th).

# 5 Minutes with the Small Ticket Chair



**BRAD PETERSON**, Chair, Small Ticket Business Council Steering Committee

**WHAT'S HAPPENING** in the small ticket sector of the equipment finance space? *Equipment Leasing & Finance* magazine caught up with Brad Peterson, Chair of the Small Ticket Business Council Steering Committee (BCSC), to take the pulse of this sector. Peterson, CEO, Channel Partners Capital, is currently serving his first year as Chair of the committee, which engages financial services organizations primarily involved in transactions under \$250,000, either individually or through lines.

## From your perspective, what hot topics is the Small Ticket sector focused on this year?

In early Q1 we conducted a survey with our Small Ticket BCSC members that identified key areas of focus for 2021, and their collective interests centered on economic outlook, COVID-19 impact strategies, technology, portfolio management and benchmarking. The survey validated that economic

recovery from the effects of the pandemic is at the forefront of member interest this year. In February, we invited economist Elliot Eisenberg to speak to the committee about the economic outlook for 2021, focusing on projected economic trends specific to the Small Ticket sector. The committee is highly interested in supporting

and providing value to Small Ticket companies and will do so by continuing to curate and share focused topic content with members who have indicated interest in the Small Ticket channel.

## How did you get involved with the BCSC? Would you recommend it to others?

I was fortunate to be recommended for a seat on the committee and I knew it would be a great opportunity to further my involvement with the association and the industry, as well as offer positive exposure for our company.

I would highly recommend joining to new members, and for existing members to consider furthering participation by their forward-thinking senior managers to expand their horizons within the industry.

The Business Council Steering Committees are an excellent way to build relationships within ELFA and provide immense value in networking and meeting others within an industry proactive peer setting. ☰



## Join the Roundtables!

The BCSCs are planning free best practices roundtables for ELFA members for 2021. Register for the event focused on your sector at [www.elfaonline.org/events](http://www.elfaonline.org/events).

## About the BCSCs

ELFA's Business Council Steering Committees represent ELFA's five key business segments: Captive and Vendor Finance, Financial Institutions, Independent, Service Providers and Small Ticket. The committees pursue priorities related to their distinct memberships and integrate their work into the overall goals of the association. Activities include membership recruitment and grassroots political advocacy, contributing to industry research, and hosting sector-focused events. Interested in joining?

Contact Ed Rosen at [erosen@elfaonline.org](mailto:erosen@elfaonline.org).



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## **Fundamentals of Equipment Leasing and Finance -**

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<https://www.elfaonline.org/events/elearning/online-courses>



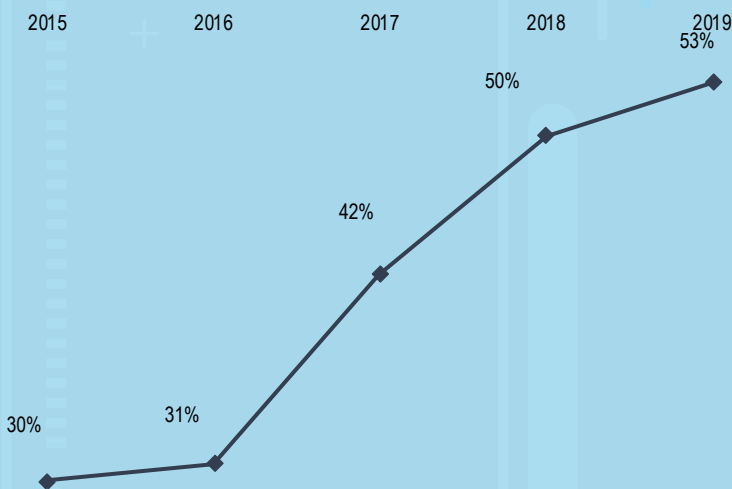
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## E-Docs Trend Upward

Even before the pandemic, the adoption of electronic documents was on the rise in the equipment finance industry, as the graph below reveals. The 2020 adoption rate will be revealed in the 2021 Survey of Equipment Finance Activity (SEFA), coming this summer.

Source: 2020 SEFA, [www.elfaonline.org/SEFA](http://www.elfaonline.org/SEFA)

**Percentage of Respondents for Whom Some New Business Volume Was Documented with an Electronic Document**



Monthly Leasing and Finance Index Products

## February MLFI Year-Over-Year

See details at [www.elfaonline.org/data/MLFI](http://www.elfaonline.org/data/MLFI)



New Business Volume



Aging of Receivables



Charge-offs



Credit Approvals



Employment

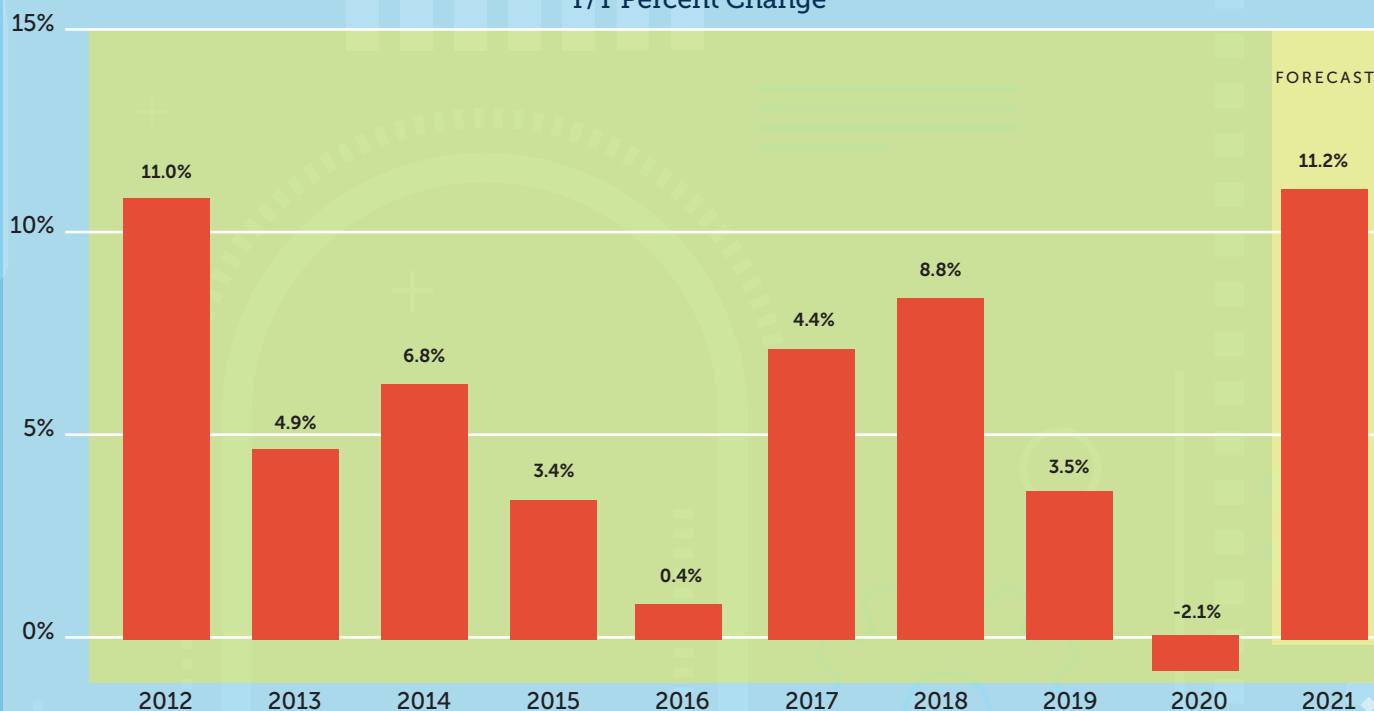
## Participate in the 2021 Compensation Survey— And Get Your Free Copy

The ELFA Small and Medium Enterprise Compensation Survey is back after taking a hiatus in 2020. We are collecting salary data from small or medium sized (below \$500 Million in NBV) organizations. Please contact Bill Choi ([Bchoi@elfaonline.org](mailto:Bchoi@elfaonline.org)) if interested in participating.

## 11.2% Growth

That's the forecast for annual equipment and software investment in 2021.

U.S. Equipment and Software Investment Growth  
Y/Y Percent Change



Source: [Equipment Leasing & Finance U.S. Economic Outlook](#)

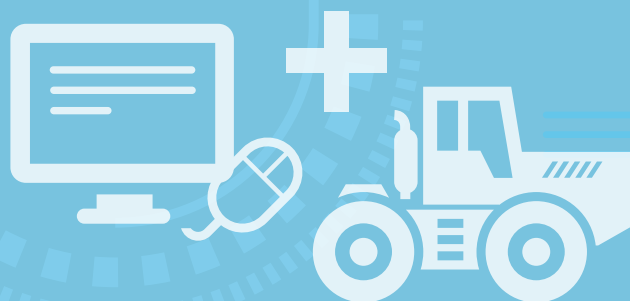
Equipment and software investment growth is expected to be strong this year as robust stimulus efforts, along with trillions of dollars in pent-up demand, point to a wave of spending this summer and fall.

Source: [Q2 update to the Equipment Leasing & Finance U.S. Economic Outlook](#)

## Equipment Investment Accelerates

Of the 12 equipment and software investment verticals tracked in the Foundation's Momentum Monitor, nine are showing signs of accelerating investment and three are showing signs of peaking. **Software, agricultural and medical equipment** are top performers. The Momentum Monitor suggests that this trend will continue at least over the next three to six months.

Source: [Foundation-Keybridge Equipment & Software Investment Momentum Monitor](#)





# What's Behind the Equipment Market

**We zero in on the top four in ELFA's  
*What's Hot, What's Not:*  
*Equipment Market Forecast 2021***





# Hottest s?

By Susan L. Hodges

**CARL CHRAPPA HITS THE NAIL ON THE HEAD** when he calls Construction “a bread-and-butter asset.” That’s because the massive equipment sector leads the list of hot markets for the eighth consecutive year in ELFA’s “What’s Hot, What’s Not: Equipment Market Forecast 2021.”

“It’s remarkable, really,” says Chrappa, Senior Managing Director of The Alta Group LLC, and author of the report. “The survey scores for Construction are very high, showing that equipment leasing and finance companies feel comfortable with the market. Also, the U.S. Department of Commerce recently announced that construction projects put into place and annualized for 2021 amount to more than \$1.5 trillion. So, it’s a smokin’ hot market—and today’s low interest rates are a real help.”

“What’s Hot, What’s Not” is a benchmarking tool that provides industry perceptions of 15 equipment markets based on a survey of ELFA members. Survey results, along with responses on economic conditions, allow companies to compare their progress with that of others and identify opportunities for future success. One hundred responses were received this year, “a very good rate, considering the pandemic,” says Chrappa. Now in its 31st edition, the report continues to be one of ELFA’s most popular resources.

Tied for second place this year are Medical and Trucks/Trailers. Medical’s showing demonstrates solid consistency, as the market typically ranks in the survey’s top five. But Chrappa says the showing for trucks and trailers marks a “huge rebound” for this market, which ranked second to last in the 2020 Survey.

Coming in fourth this year is Hi-Tech/Computers, which showed an actual increase in sales of about 13%. “Sales are often negative for this sector, but pressing requirements for new technology and equipment to support digital transformation and working from home made the difference,” says Chrappa. Below, ELFA industry experts comment on the state of business in each sector.

## Construction’s Brass Tacks

Jim Mengacci, Senior Vice President—Sales at People’s Capital and Leasing Corp., a subsidiary of People’s United Bank, agrees with the strong outlook for the sector this year. “Commercial construction continues to benefit from low interest rates and a boom in the warehousing and logistics business,” says Mengacci. In addition, he says, certain manufacturing sectors are evolving with newer technologies that require new or expanded facilities. “Perhaps most important, though, is infrastructure spending,” he observes. “Recent stimulus has reinforced and even expanded state and federal infrastructure spending, with backlogs building aggressively in many places across the country.”

Even so, he says equipment finance companies are still challenged to help customers navigate the economic setbacks of 2020. “Last year required deeper partnerships with both equipment sellers and customers to get behind the numbers and to the real growth story,” Mengacci notes. “And because supply-chain disruptions have extended lead times by months, the ability to quickly acquire the assets needed to start and finish projects has led to increasing backlogs and



**“[Construction is] a smokin’ hot market—and today’s low interest rates are a real help.”**

Carl Chrappa, The Alta Group



**"Perhaps most important... is infrastructure spending. Recent stimulus has reinforced and even expanded state and federal infrastructure spending."**

Jim Mengacci, People's Capital and Leasing Corp., a subsidiary of People's United Bank

delayed realization of growth revenues for both manufacturers and their customers."

Mengacci and People's Capital and Leasing Corp. are confident nonetheless. "As stimulus-supported state, local and federal spending produces realized projects and private-sector projects also increase, we think the demand for construction equipment will be feverish at times," Mengacci says. He adds, "Even with the headwinds of the last 12 months, we believe our commitment to marry our construction industry expertise with a track record of solving real problems and providing reliable capital is a powerful opportunity."

Because access to low-cost, flexible capital enables customers to take advantage of such trends, Mengacci thinks manufacturers and equipment finance companies must present their best efforts. "Any manufacturer not only offering payment solutions but looking to innovate with new and differentiated offerings will be in a unique position to win," he says. "Innovative customer finance programs will be integral to maximize both sales and margin."

### Medical's Endurance

"I have to say we're not surprised by Medical's high rating," says Ellen Comeaux, Senior Vice President, Commercial Division Sales at TIAA Bank. Consistently a strong market, medical equipment's favorability this year stems from three factors: the segment's strong leasing-financing culture; demographics showing an aging population, which will lead to an increased need for medical technology; and the COVID-19 slowdown, expected to result in more capital expenditures as pent-up demand for non-emergency procedures is released.

"But the pandemic continues to cause economic uncertainty, particularly pertaining to capex dollars, since it's unclear when hospitals will invest as demand

for non-emergency services returns," Comeaux adds. Also unclear is timing for the return of in-person equipment expositions, a key sales point for equipment manufacturers. "Medical is one of the more unique channels in that regard, where new modalities really drive acquisitions," she explains.

At the same time, though, Comeaux notes post-COVID opportunities for TIAA Bank to demonstrate its domain expertise through its ability to understand medical technologies and leverage that understanding to provide competitive structures and terms. "One example is our ability to offer deferral or step-up structures to match customers' expenses with their reimbursements," she says. "These structures help our clients invest in needed equipment earlier than they may have otherwise."

A second opportunity involves testing and diagnostic equipment, demand for which Comeaux thinks will continue through 2021. "Non-contact modalities, such as tele-health and remote patient monitoring, are also expected to remain strong, representing another opportunity for growth," she says.

Comeaux sees transactions increasing for technologies that provide a cleaner, safer clinic environment, such as air purifiers and disinfecting equipment. "We're also seeing opportunities in robotic-assisted surgery, and we expect an increase in this as well," she adds.

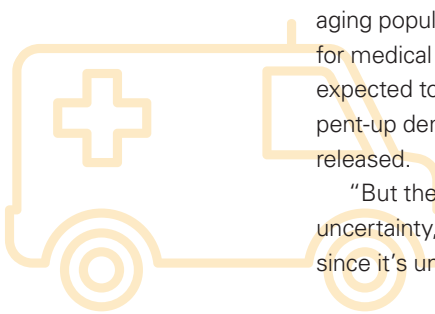
In financing, Comeaux says TIAA Bank is hearing a lot about pay-per-use and subscription-based payment options as customers look to short-term rentals and cancellable contracts to support equipment put

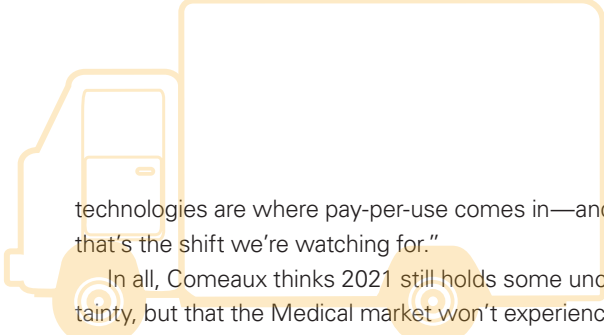
**"Deferrals and step-up structures will be popular as medical practices get up to speed, invest in equipment and need revenue flow before they start paying."**

Ellen Comeaux, TIAA Bank



in place during the uncertainty of the pandemic. "We also think deferrals and step-up structures will be popular as medical practices get up to speed, invest in equipment and need revenue flow before they start paying," she says, adding, "Newer and cutting-edge





technologies are where pay-per-use comes in—and that's the shift we're watching for."

In all, Comeaux thinks 2021 still holds some uncertainty, but that the Medical market won't experience much of it. "The need for healthcare is only going to grow, as close to 19% of the U.S. population will be over 65 by 2030, compared to 10% in 2010," she says. "There's a need for technologies to care for this growing population, not only from a standard-of-care perspective, but from a cost perspective. And this will drive additional investment in equipment that can provide care for outcomes in a more efficient manner."

## Trucks/Trailers' Comeback

Jennifer Sablowski agrees with the report's assessment on trucks and trailers and says the market is in for a dynamic year. "We're seeing pent-up demand because clients either delayed getting the replacements they had planned for 2020, or they're expanding their fleets, especially in the food-service and food-delivery business," says Sablowski, Senior Vice President, Truck & Equipment Business, at Lease Plan USA, Inc. Demand for both trucks and trailers began rising in late 2020 and continues this year—so much so that Sablowski says the orders for new trailers are now backlogged into 2022.

Truck orders are encountering similar obstacles. "We're seeing clients start to focus more on sustainability and technology, so we're having a lot of conversations with them about their earlier-model fleets, and whether they should replace them in favor of lower emissions and better technology," Sablowski says. Of particular interest: real-time telematics applications that can track driver behavior as well as vehicle location, mileage, fuel consumption and engine diagnostics. Used in conjunction with data analytics, fleets can make more informed decisions about vehicle repair and replacement. But supply-chain issues continue to slow the delivery of truck parts, causing manufacturing delays. "I think for rest of this year, the challenge in both tractors and trailers will be trying to fulfill the orders being placed now," she concludes.

Longer term, Lease Plan USA is seeing growing interest in electric trucks. "A lot of large corporations have made commitments to reduce their emissions and carbon footprints," says Sablowski. "Last-mile delivery is a big focus right now, and that's where the interest is." Just recently, a customer asked for help

## Using the Report

Report Author Carl Chrappa has insights on the biggest take-aways from this year's *What's Hot, What's Not: Equipment Market Forecast 2021*, and he also has suggestions for getting the most from the report. He shares both here, but first talks about the responses to eight questions on COVID-19 added to this year's survey:

"Truthfully, I wasn't surprised. Half of companies said they exceeded their goals in 2020, and 29% said they fell short. Forty-five percent reported an increase in repossessions. Sale values of restaurant equipment plummeted, due to the high percentage of eateries that failed. Values also plunged for large logistics helicopters, which carry crews to oil rigs, and two big bankruptcies in off-shore shipping had a negative effect on some equipment finance companies."

Asked about other take-aways, Chrappa says residuals are trending more conservatively. "Our industry is less pessimistic on residual value positions this year than last, and decidedly more optimistic on construction equipment and containers," he says. "Thirty percent of respondents increased residuals for construction, and 20% increased them for containers. Prices are up 50% to 100% this year on containers, and that's extraordinary for a box. So, if you're doing a deal funding steamship containers, normalize your residuals, because in a year their value could be back down to earth."

To compare your company with others, Chrappa advises studying the residual chart. "If you're winning a lot of transactions but you see that your competitors are cutting residuals, maybe you should consider doing that, too," he says as an example. "On the other hand, if you're losing too many deals and see that your competitors are raising residuals, it could mean you're missing something." Chrappa says another consideration is the size of respondent companies. "More than 63% added over \$100 million to their portfolios in 2020, so if you're small, be sensitive to that," he says.

To identify opportunities, Chrappa advises studying the market ratings by volume and outlook. "If you're considering a new market, also look at the individual write-ups," he says. "You'll learn about potential threats as well as potential openings."

### What's Hot, What's Not: Equipment Market Forecast 2021





**"We're seeing pent-up demand because clients either delayed getting the replacements they had planned for 2020, or they're expanding their fleets, especially in the food-service and food-delivery business."**

Jennifer Sablowski, Lease Plan USA, Inc

with a five-year pricing forecast for adding electric vehicles. "Even though trucks are behind passenger vehicles in this trend, it's coming—and probably sooner than later," she adds.

Regardless of the manner in which trucks and trailers evolve, Sablowski has confidence in the market at least through 2022. "COVID-19 has made people spend more on products than on experiences, and we don't expect that to change quickly," she says. "The demand for actual products continues to grow, increasing freight and the need for more trucks and trailers." Add to the upbeat forecast changes in truck and trailer technology and a growing mix of manufacturers, and Sablowski makes an admission: "Personally, I'm excited, because this is the industry we're in."

### Hi Tech/Computers' Critical Use

"Digital transformation was happening before the pandemic, and the pandemic has only accelerated it," says Brad Shapiro, Vice President for Enterprise, HPE Financial Services, a subsidiary of Hewlett Packard Enterprise. "There's now a real urgency around creating digital models and experience, and you can see it in businesses of all sizes, from Amazon to my local pizzeria, where I can order and pay online and pick up contact-free."

Shapiro concurs with the survey's ranking of Hi Tech/Computers and cites research suggesting that nearly two-thirds of global GDP will be digitalized by 2022. "Thus, the primary driver of IT for the next two years will be digital transformation," he says.

Challenging this transformation, however, are customers' stronger focus on cashflow and budget scrutiny, both results of last year's lowered revenues. "Customers are trying to figure out where the money to invest in more technology will come from," says Shapiro. But for HPE Financial Services, the situation

is both opportunity and challenge, since the company deploys its expertise in technology and technological assets to increase customers' investment capacity.

To wit, in 2020 HPE Financial Services took in more than 3.1 million technology assets spanning the gamut in brands and equipment types. "In some cases, we monetized assets off customers' balance sheets and moved them into use-as-a-service," explains Shapiro. "In other cases, customers retired assets, and we extracted the value from them by putting them back out for reuse. By using a combination of these approaches, we can accelerate customers' financial vitality and help them self-fund a portion of their move to digital."

Other recent trends, such as working from home and remote learning, present still more opportunities for equipment finance companies to add value by creating solutions extending beyond a credit line

### Related Resources

Equipment is financed for use in virtually every sector of industry. Visit ELFA's "Vertical Markets" page at [www.elfaonline.org/industrytopics](http://www.elfaonline.org/industrytopics) to access data and forecasting for a range of capital equipment and software categories and key vertical markets, from agriculture to construction to energy and much more, including:

- [Equipment Market Analysis](#) - Fact sheets for the major equipment sectors in the Equipment Finance industry
- [U.S. Equipment & Software Investment Momentum Monitor](#) - This monthly report from the Equipment Leasing & Finance Foundation tracks 12 vertical markets and identify key turning points in their investment cycles with a 3- to 6-month lead time.
- [2021 Equipment Leasing & Finance U.S. Economic Outlook](#) - This quarterly report from the Equipment Leasing & Finance Foundation forecasts 2021 equipment investments and capital spending in the U.S. and evaluates the effects of various related and external factors now and into the future.



and financing rate. Says Shapiro, "We now have the chance to adapt certain solutions previously designed to work at large centralized sites so that they function amid a more distributed workforce."

Edge computing is a related challenge and opportunity, as 5G (the fifth-generation technology standard for broadband cellular networks) enables more computing outside computer centers. "Instead of sending data out to big, centralized computers for computation, that work can now be done on the edge, where real-time decisions need to be made," says Shapiro. "The challenge is that the data is not in one location. The opportunity is to compute it because it's all connected."

Yet another evolving opportunity is customization of the Cloud experience. "While the public Cloud is growing rapidly and we're seeing some on-premise activities moving to it, there will be applications and data that customers want to keep on premise," says Shapiro. In response, HPE has created "HPE

**"There's now a real urgency around creating digital models and experience, and you can see it in businesses of all sizes."**

Brad Shapiro, HPE Financial Services, a subsidiary of Hewlett Packard Enterprise



GreenLake," a pay-per-use offering using a single platform to manage a customer's public and private Cloud activity. "With this product, we're providing what the customer wants in the service experience and the pay-per-use experience," Shapiro says. ☰

**SUSAN HODGES** writes about equipment finance from her office in Albuquerque, New Mexico.

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# Emerging Talent's Hidden Heroes

Stories from ELFA's up-and-comers show grit and innovation during COVID-19

By Susan L. Hodges

**IN A FEW WORDS**, Eric Cable describes the daunting challenges COVID-19 has wrought for ELFA's emerging talent: "It's amazing how the pandemic turned everyone's daily routine upside down almost overnight," says Cable, Director, Lender Finance for CIT Business Capital and a member of ELFA's Emerging Talent Advisory Council (ETAC). "Working parents suddenly had to become IT experts, schoolteachers and principals while also working full-time as equipment finance professionals."

From inhabiting a workspace just steps away from a virtual fourth-grade class to enduring the extreme stress of social isolation and in some cases single parenthood, many of these men and women changed fundamentals of their lives to be able to keep working during the past year.



**"It's amazing how the pandemic turned everyone's daily routine upside down almost overnight. Working parents suddenly had to become IT experts, schoolteachers and principals while also working full-time as equipment finance professionals."**

Eric Cable, CIT Business Capital

Cable works out of his family's guest room and knows others who are working from bedrooms, sharing small spaces and hitting the desk—if they have one—at weird hours so they can share the responsibilities of childcare. But Cable says a positive has been getting to know teammates on a different level. "Whether a dog is barking in the background, a kid is jumping on to say hi or a roommate walks by not realizing your camera is on during a video call, it's important to view these interruptions as a positive," he says with a chuckle. "They help us know more about each other."

## On an Island

Cable is probably right—but many of the changes have been hard, and the sacrifices, painful. "Being a

working mother during COVID-19 has probably been the most challenging part of my life," says Kaitlin Bonner, ETAC member and Relationship Manager at Farm Credit Leasing. Being a working mother is always challenging, she adds, but has been especially so as distance learning changed her schedule and social distancing limited support from family and friends. "In some ways it's been fun, but I've learned a lot about grace," she says. "And as for learning to balance it all? There is no way to do that."

A single parent who has both children full-time or not at all, Bonner says at first she felt she was on an island. "I really struggled to get my standard eight hours in, and it did not work," she recalls. "I learned that if I have to take a call while I'm sitting in the school drop-off line, or work at 9 p.m. to get in my hours, that's what I do."

Bonner also needed to find healthy ways to cope with the on-again, off-again isolation. She began taking walks with the family's two dogs and varying her route to see more people. She also pulled back from personal use of social media and became a fan of snail mail. "You get tired of texting and emailing, and you need to unplug—especially when your office is only steps away," she says. She sent out paper holiday cards this year and began mailing packages to her grandmother and friends. "I've also started making all the pizza dough recipes I can find," she says with a laugh. "It's a hobby I wouldn't have had time for before."





## To the Breaking Point

Alexandra (“Lexie”) Dressman went on maternity leave to have the family’s second child during the pandemic, and she hasn’t been able to return physically to her company since then. “I didn’t prepare for a pandemic, so I didn’t have equipment at home or an office,” quips Dressman, Counsel at Huntington Equipment Finance and Chair of ETAC. She quickly set up shop in a doorless room off the kitchen of their 1923 house. Then she and her husband pulled their four-year-old daughter from daycare and kept their infant son at home, too. “We tried to trade off schedules so that I had the morning to work and my husband had the afternoon,” she says. “But we never felt we were giving anything 100%, and we had a lot of late nights trying to make up the difference. We came to a breaking point where one of us was going to have to quit our job or we were going to have to figure something out.”

Dressman says she did a risk-benefit analysis to weigh the health and safety of their children against not having a job and a changed lifestyle. The solution came when she asked extended family for help, and four of them agreed to form and maintain a pod of isolation to care for the kids. “That was the bargain I had to make to be able to sleep at night,” she says. “But as difficult as things have been, I’m grateful, because

“Being a working mother during COVID-19 has probably been the most challenging part of my life. In some ways it’s been fun, but I’ve learned a lot about grace.”

Kaitlin Bonner, Farm Credit Leasing



I haven’t been asked to go to war or be away from my family; I’m just being asked to stay at home and be with them.”

## Getting to Know You—Remotely

In the weeks before employees were asked to start working from home, Xiang Ji learned she would be getting a new boss. “He was from another Toyota entity, and we had two weeks to get to know each other before we began working together—from our homes,” says Ji, Commercial Risk Manager at Toyota Industries Commercial Finance, Inc. and a member of ETAC.

The challenges didn’t end there, however. Ji then onboarded two new associates to become members of the Risk team, which also includes another senior member. “In Risk, we now have a team of five, and we’re still getting to know each other,” she says. “The biggest challenges have been building trust and learning to collaborate remotely,” she adds.

Emergence  
2021



LOOK TO THE FUTURE!

## Get Set for Emergence2021 *LIVE!*

**ETAC’S POPULAR LEADERSHIP EVENT** for emerging talent comes roaring back July 14 with a virtual program sure to inspire. “We all want to lead, we’re ready to grow and we want to make a positive impact,” says ETAC Member Kaitlin Bonner. “Emergence2021

LIVE! brings speakers who’ll help you find what’s within you and get on a path toward making a difference. You’ll also learn best practices in the workplace and have a chance to network. This will be a one-day session jam-packed with tools you’ll be able to use throughout your career.”

Back by popular demand will be Emerging Leadership Expert Pierre Quinn, author of two books on leadership and CEO of The Cardell Group, LLC, a consultancy focusing on leadership development. Also speaking will be Terry Grim, author of the Foresight Maturity Model. Grim will lead a discussion on moving from “knowing” about something to “doing” something about it. The conference will also feature opportunities to network

with fellow attendees. “We highly encourage attendance, especially if you’re new to equipment finance or ELFA and want to get more involved, or encourage emerging talent within your company,” says ETAC Member Eric Cable. “There is no better way to get more engaged with ELFA.”

To learn more and to register, go to [www.elfaonline.org/events](http://www.elfaonline.org/events) and click on Emergence2021 LIVE!

"Communication has to be very intentional, and I try to over-communicate rather than under-communicate to make sure all of us are on the same page. We ask people to turn on their video almost all the time now. It allows us to be more engaged and connected during the conference call."

In the meantime, after researching the risks of young children contracting the virus and children's need for social interaction, Ji and her husband decided to keep their 3-year-old son in daycare. "I feel very fortunate that he has been able to continue his routine while both my husband and I work at home," she says. "My company has been so supportive, not only ordering new monitors and headsets to help us set up a home working environment, but also sending care packages and thank-you notes." Last summer Toyota sent beach towels, sunscreen and sunglasses as encouragement to spend some time outside. Says Ji, "They really stay in close touch and thank us regularly for our contributions during this tough time."

### Home Alone

Ford Clark wasn't sure what to expect when the pandemic began, but the longer he worked from home, the more he missed human connections. "Many of us are single and were used to attending events after work," says Clark, Equipment Specialist at PNC Equipment Finance LLC and a member of ELFA's Equality Committee. Suddenly stopping that, as well as working in an office, was tough. "It takes a toll on mental health," he says.



**"If your company has Employee Business Resource Groups, invest in them—and if you don't have them, create them."**

Ford Clark, PNC Equipment Finance LLC

Not only did Clark start working from home while his roommate of three years continued working outside; he also watched as the non-profit arts organizations he volunteered for shut down. "Cincinnati had curfews and capacity limits, and the arts were the first and hardest hit," he says. "I'm just fortunate that PNC has so many resources to support us."

**"Communication has to be very intentional, and I try to over-communicate rather than under-communicate to make sure all of us are on the same page."**

Xiang Ji, Toyota Industries Commercial Finance, Inc.



Already involved in the company's Employee Business Resource Groups (EBRGs), Clark began relying on them for the interaction as well as the subject matter. "One just had a program for Black History Month, and the book club in our market focused on diversity and inclusion," he says. Time for attendees to talk among themselves at the start of virtual meetings is also helpful.

"If you don't stay connected, you really lose out," he says. "If your company has EBRGs, invest in them—and if you don't have them, create them," he suggests. "And if you need it, get help from therapists or counselors, which our company provides. Advocate for that work-life balance—especially now, when we all need it so much."


### ETAC's 2021 Goals and Priorities

Lexie Dressman likes to say ETAC is talking about what the news media is talking about, and the Committee's strategic priorities for this year do that. Along with enabling the advancement and development of emerging talent and promoting its engagement in ELFA and the larger industry, ETAC is adding a drive for diversity and inclusion within the equipment finance industry. Says Dressman, "We want to look at this very broadly: not just at gender and ethnicity, but at age and current life situation."

As a working mother, Dressman has become passionate about the issue. "We want the companies we work for not only to talk the talk, but walk the walk," she says. "I'm lucky enough to work for one that does that, since Huntington does a great job focusing on colleague well-being."

Providing flexible work hours and mental health support, Huntington "wants to be welcoming to everyone, and that's what we're trying to do in ETAC and in ELFA as a whole," says Dressman. Just as members of ELFA's emerging talent have shared their stories






here, “We know that everyone has a story, and we want to focus on them so we can better reflect our customer base,” she says.

Xiang Ji is proud to be part of the effort. Because she was born and raised in China, issues of diversity in the U.S. were hard for her to comprehend at first. “China is a very homogeneous society, so I hadn’t experienced racial discrimination there,” she explains. By offering training on the subject, her company helped create context. “I think Toyota is doing a really good job with this,” she says. “As a result of the training, I have a higher awareness and have been watching documentaries and reading about Jim Crow to further educate myself. Now I’m learning about injustices

“We want the companies we work for not only to talk the talk, but walk the walk. I’m lucky enough to work for one that does that, since Huntington does a great job focusing on colleague well-being.”

Lexie Dressman, Huntington  
Equipment Finance



experienced by Asians and other races. Maybe the conversations we’re having about it will raise people’s awareness and help us overcome these biases.” 

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**SUSAN HODGES** writes about equipment finance from her office in Albuquerque, New Mexico.

## Resources for Emerging Talent

Are you new to the equipment finance industry? Visit ELFA’s [Emerging Talent webpage](#) for these career development resources—most are offered at no cost as a benefit of your ELFA membership.



### Emerging Talent Advisory Council:

This group of up-and-coming employees from ELFA member companies works on encouraging industry professionals to get involved in the association early in their careers and attracting the best and brightest to the industry.

### Emergence2021 LIVE!:

This virtual leadership event for emerging talent will be held July 14.

### Emerging Talent Networking Events:

ELFA holds free networking events for emerging talent throughout the year.

### Training:

The Fundamentals of Equipment Leasing and Finance online course and Principles of Leasing & Finance Workshops get you up-to-speed on industry practices.

### Generation Next LinkedIn Group:

ETAC created this group to help young professionals share career building and relevant industry content, connect up-and-comers with influencers and engage and educate emerging talent.

### Ask a Leader Interview Series:

ETAC members talk to ELFA members from a range of backgrounds about their experiences in the commercial equipment finance industry.

### Equipment Finance Matters Podcast:

Get up close and personal with industry leaders: Find out how they joined the industry, their leadership advice and their personal stories of overcoming challenges to succeed.

### Career Development Series:

From networking to managing up, discover valuable career tips in a series of articles authored by ETAC members.

# Stoking the Fire of Women's Leadership



## ELFA Women's Leadership Forum LIVE! Draws Record Attendance

By Diane Johnson

**LIVING THROUGH A PANDEMIC** of “unprecedented times” and “new normals” has impacted everyone, both personally and professionally. ELFA Women's Leadership Forum LIVE! held virtually on April 20 provided participants with a much-needed opportunity to learn from the experiences of others for inspiration and guidance to move ahead. The day-long event achieved record attendance with over 260 industry professionals, including women and allies, previous participants and newcomers. In kicking off the event, ELFA Women's Council Chair Deb Baker, Head of Worldwide Leasing & Financing at HP Inc., remarked, “There's never been a better time for us to come together, to invest in ourselves and our teams, and to learn from each other and grow our networks.”

Forum Chair Jennifer Fanz agreed, marveling that after cancelling the 2020 Forum due to Covid, the Women's Council came back stronger and more determined than ever to deliver a meaningful event in 2021. “Through the past year, we never stopped talking about what we wanted to bring to the ELFA membership, how we wanted to continue our work, and how we were going to pivot,” said Fanz, Country Sales Manager, US Healthcare, DLL. “We all need this. We're all here for a reason.”

In her welcoming remarks, ELFA Board Chair Kris Snow, President of Cisco Systems Capital Corporation, emphasized the progress ELFA has made in increasing the participation and leadership of women. “I am happy to say that the organization is committed to supporting and accelerating women, as well as other

underrepresented groups, into positions of leadership within the association and our industry,” she said.

In sharing stark research of the pandemic's particularly hard impact on women Snow reiterated the timeliness of the day's gathering and the opportunity for “Stoking the Fire” of attendees as they participated in interactive group and one-on-one sessions with equipment finance industry leaders, professional development coaches, and each other. The takeaways they shared have lasting value for various aspects of life beyond the pandemic.

### Five Degrees of Change

Coinciding with the Stoking the Fire theme, keynote speaker Shannon Cassidy encouraged attendees to “light their own fire.” A certified executive corporate coach specializing in behavioral modification and communications, she said, “We're creatures of habit. Most of our behavior is automatic and habitual—in fact 95% of our behavior is on autopilot. That means that 5% of what we do is self-regulated, conscious behavior.”

For those considering how to make changes Cassidy said that it's unrealistic and actually unnecessary to attempt a quantum leap, but five degrees of change are manageable. She identified a framework of what you 1) have no control over, 2) can influence and 3) can control, and advised focusing on the areas that you can control to initiate change. Asking questions that focus

**Executive Leader Panel**

Via Cisco Webex

**Kara Miyasato**  
Marketing Director  
Stryker, Flex  
Financial  
Member, ELFA  
Women's Council

**Michelle Fuchs**  
VP, Business  
Development  
Manager  
Stearns Bank NA-  
Equipment  
Finance Division

**Christine Gagnon**  
CFO  
African Asset  
Finance  
Company

**Nancy A. Robles**  
COO /  
Compliance  
Officer  
Eastern Funding

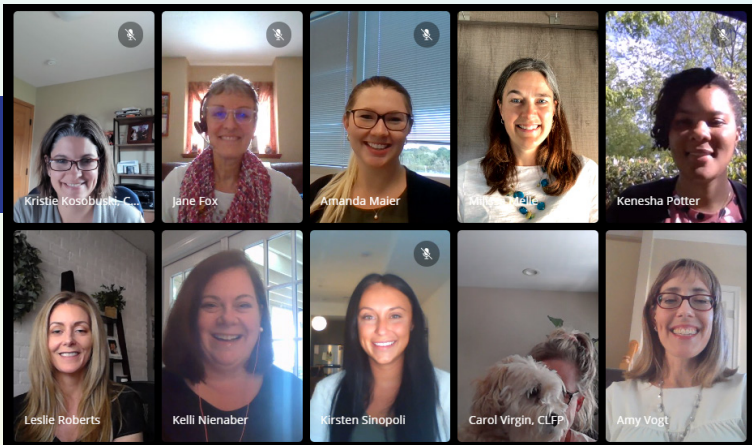
**Scott Thacker**  
CEO  
Ivory Consulting  
Corporation  
Chair, ELFA  
Equality

Comments:

- Theresa Kane-Baker: Thank you all for this session so wonderful!
- Jennifer Olson: Thank you all for this session so wonderful!
- Michelle Fuchs: Thank you all for this session so wonderful!
- Colleen Day-Timman: Great session!
- Margie Rose Porter: Thank you!
- Ami Yegor: Thank you all for this session so wonderful!
- Shannon Cassidy: CLIP THANK YOU!!!
- Lisa King: Thank you!
- Michelle DeBor: Fantastic panel! Thank you!
- Lisa Harada: Thank you! Another great session!
- Dorina Yanzul: Thank you all!
- Kamela Gray: Thank you great panel!

ELFA EQUIPMENT LEASING AND FINANCE ASSOCIATION

**Attendee Engagement:** Comments poured into the chat area of each session, including the Executive Leader Panel, where speakers shared candid reflections on the past year.



**Scene from the Forum:** In addition to virtual networking rooms like the one pictured above, participants used an AI “attendee matcher” to make new connections.

on possibilities and solutions instead of problems is what she called taking the “road to resolution” rather than the “road to resentment.” Instead of looking in the rearview mirror and asking “Why did that happen?” or “Why did I do that?” look ahead through the windshield and ask what or how questions, such as “What is my objective? and “How can I learn from this?”

## Equipment Finance Industry Insights

During a panel discussion of equipment finance industry leaders on how they and their teams managed to not only survive but thrive during the past year, empathy and frequent communications—both internal and external—ranked high among priorities. They also acknowledged that 2020 blurred the line between the personal and professional.

Christine Gagnon, CFO at African Asset Finance Corporation, said her company’s approach is to have a high level of empathy and flexibility with each client, and to get out in front of any potential issues before they bubble up. Her advice is to “think about how the internal processes are customer focused and what you’re doing outwardly in your interactions with your clients every day.”

Employee wellness became more essential, with panelists describing frequent Zoom and Slack check-ins, company-wide townhalls, personal phone calls and opportunities just for fun. Nancy Robles, COO and Compliance Officer at Eastern Funding LLC, said their mid-level and executive managers worked with a well-being coach to service employees and recognize when they are at their full capacity. “We took a lot of training in that area because we recognize that the mental health of everyone is critical, so stress management became a top priority for us.”

At Stearns Bank, NA, Vice President of Business Development Manager Michelle Fuchs said they gathered employees from different areas of the organization who don’t normally interact to meet virtually twice a month for just 15 or 20 minutes. “It was fun to get to know each other, and there were

a lot of good comments about being able to connect with the whole company. It really helped engage everybody.”

The past year has provided an unforeseen opportunity to reconsider personal care. ELFA Equality Committee Chair Scott Thacker, CEO of Ivory Consulting Corporation and Chair of the Equipment Leasing & Finance Foundation, said that reduced obligations on his time for travel and working remotely have given him renewed energy, creativity and happiness. He suggested, “Stay in the moment, find your passion and if you don’t feel passionate about what you’re doing right now, find the silver lining.” Panel moderator and Women’s Council member Kara Miyasato, Marketing Director, Stryker, Flex Financial, offered a simple, tactical suggestion. “Everyone should have at least one vacation day on their schedule—even if you’re going to stay home—to turn off everything and just focus on yourself.”

## Opening Up to Possibilities

Among the many lessons learned over the past year is the need to manage disruption. To meet this challenge, Forum Chair Jennifer Fanz hosted “Reinvention: Letting Go of Yesterday to Ignite Your Tomorrow,” a conversation with Deborah Reuben, CEO & Founder of TomorrowZone and Chair of ELFA’s Technology Innovation Work Group. Reuben advocated building your imagination and expanding your thinking about what’s possible. “If you can get yourself into a mode of continuous learning and staying curious, you can get into a mindset of being anticipatory so you aren’t surprised by disruptions.”

## Defusing Landmines

In her keynote address, “How to Defuse the Landmines We Plant in Our Lives,” personal development coach Kelly Accetta identified issues in our lives that can hold us back and drain our emotional currency: Victim mentality, gossiping, comparison, insecurity, mommy/daddy guilt, offendability, unforgiveness/bitterness and negative self-talk.

## Continue the Conversation with the Women’s Leadership Forum

In her closing remarks, Fanz encouraged attendees to continue the conversation from the Women’s Leadership Forum, inviting them to join the [Women4Inclusion LinkedIn Group](#) and to network with each other. She said, “We can’t be afraid to be the fire, and we need to help others find their fire.” ☰



**DIANE JOHNSON**, on behalf of the Equipment Leasing and Finance Association.





# 5 Takeaways: *Innovator Round*

## ELFA/TomorrowZone Virtual “Unconference” Focuses on New Technologies and the Future of Work

**INTELLIGENT** automation, composable architectures, organizational agility and the future of work were among the topics explored during a virtual Innovator Roundtable held on March 25 by ELFA and TomorrowZone, a future-focused consulting firm specializing in technology trends. The interactive “unconference” was the first event from the new partnership of the two organizations to help ELFA members capitalize on the latest innovations to prepare for the future.

TomorrowZone CEO and Founder Deborah Reuben facilitated the event with panelists Michael Baez, Director of Banking & Diversified Financials, Capgemini; Andrew Cotter, CIO & Executive VP, Somerset Capital; Eldon Richards, CIO, IDS; Denis Stypulkoski, Founder and Principal, Reimagine Advisors; and Moto Tohdo, VP of Information Systems, Tokyo Century (USA) Inc. The Roundtable discussion was followed by four-person zoom chats for participants guided by senior leaders from ELFA’s Technology Innovation Working Group. Throughout the 2.5-hour program, participants enjoyed multiple opportunities for learning and information sharing—and some fun, interactive networking.

ELFA President and CEO Ralph Petta kicked off the event by stressing the importance of innovation. “There’s no more critical component to high performance and success in the equipment finance industry than what we’re here to do today: looking for the next breakthrough, sharing ideas with peers and discovering new ways to approach business challenges.”

He added that ELFA partnered with TomorrowZone and Reuben—who chairs the Technology Innovation Working Group—to help equipment finance professionals capitalize on the latest innovations and prepare for the future.

Reuben invited the Roundtable participants to take advantage of the collaborative nature of the event. “This is a place to step away from your day-to-day and learn something new with other people who want the same,” she said. “The conversations that we’re going to be having are all about stirring up new thinking so you can bring that back to your own organization.”

The highlights below are among the wide range of cutting-edge technology advances and ideas shared by panelists for the equipment finance sector.

### **1 The future of work will be impacted by a myriad of factors.**

- Work-from-home has created data control and security issues and will require further consideration to protect both employees and employers as hybrid home-office work models become long term. Remote working and working across time zones will enable projects and initiatives around the globe, as well as hiring across countries and internationally.
- Equipment finance companies will need to make mindset and culture shifts to being agile, starting with the recognition that they are really software companies that are delivering

# table

the digital experience that is providing a financing capability. Managing an innovation idea funnel, backlog prioritization and continuous delivery are all critical new competencies that commercial finance companies will need. Experimentation (which may not necessarily be comfortable for some), creating a minimum viable product and distributing it, getting feedback, failing, improving and repeating will have to become the new normal.

## 2 More equipment finance businesses are turning to automation.

- Companies are using Robotic Process Automation (RPA) to replace the repetitive, mechanical tasks that people do day in and day out that no one wants to do.
- Companies are also taking a step further and using Intelligent Automation for creative problem-solving tasks. Intelligent automation goes beyond repetitive click/point/move kinds of tasks by automating human decisioning with technologies like artificial intelligence (AI) and machine learning.
- While automation can provide efficiencies, in and of itself it does not deliver digital transformation. Starting with the outside-in approach of the customer experience is necessary to really transform your business.

## 3 Companies are using intelligent automation to evaluate documents and prepare them for storage and future sharing.

- Increasingly in the origination and lending space, companies are using Cognitive Document Processing (CDP) to assess applications, invoices, purchase orders and other customer documents. CDP can comprehend different types of print, including machine print and cursive handwriting, and take data from raw documents and inject it into a downstream system.
- CDP is also used in the collection space through intelligent collections, which can make collections more dynamic, leveraging machine learning and data insights, enabling focus on the right accounts, and using analytics to anticipate, predict and understand payment behaviors to develop alternative collection strategies.
- CDP is also being used in customer onboarding and credit underwriting where AI tools are used to gather and consolidate information from various sources and provide recommendations.

## 4 Clean data and data literacy are essential.

- To derive value from data they are collecting and automating, companies should ensure they have good data to start with.
- Data visualization tools are helping businesses to analyze and use their data. These tools can spark creativity in business users' minds while they are looking at data, so instead of having a snapshot of what happened last month, they can begin to see what is happening currently and think about what to do with it in the future.

## 5 As the equipment finance industry transforms and products go from traditional leasing to equipment as a service and beyond, it will necessitate a multi-core environment to deliver on different accounting, asset management and behavioral capabilities.


- As equipment finance organizations seek to drive growth, operational excellence and customer satisfaction, panelists predicted increasing focus on providing an omni-channel experience to customers. That would enable customers to engage on any device, through any channel, at any step in the customer journey.

"I can see this would support the ability of companies to innovate their business models, which is really what we need to be thinking about," said Reuben. "It's not about what software you're going to buy, it's about how you need to be able to do business, designing for where you're going, not where you've been."

The Innovation Roundtable is the latest addition to the association's multi-year initiative to support innovation in the equipment finance space. ELFA annually recognizes innovative uses of technology through the Operations & Technology Excellence Award and the Operations & Technology Conference, both overseen by the Operations and Technology Committee. In 2018, the ELFA Board of Directors established the

Technology Innovation Working Group to monitor and analyze new digital strategies and techniques and communicate how these initiatives can help equipment finance organizations better serve their customers and bring about operational efficiencies. ELFA's new partnership with TomorrowZone will allow members to engage with senior leaders from the Working Group and access cutting-edge knowledge, new tech tools and collaborative networks to shape the future of equipment finance.

### Stay tuned for future events

ELFA and TomorrowZone will produce additional virtual collaboration sessions for ELFA members to expand ongoing discussions about technology and innovation's role in shaping the future of equipment finance. Save the date for events on Aug. 26 and Nov. 18! 

**DIANE JOHNSON**, on behalf of the Equipment Leasing and Finance Association.

### Related Resources

Visit ELFA's [Operations & Technology Industry Topic](#) page for related resources, including:

- **Operations & Technology Excellence Award** - Recognizing innovative uses of technology in the equipment finance industry (deadline June 21, 2021)
- **Operations & Technology Conference and Exhibition** - Provides direction and support for member companies using technology to improve business processes, enhance customer satisfaction and increase operational effectiveness
- **Business Technology Performance Index** - This annual report reveals top technology trends at equipment finance companies
- **Software Guide** - A listing of the leading software solutions for the equipment finance industry
- **Wednesday Webinars** - Access live and recorded sessions presented by industry tech experts

JULY 14, 2021

# Emergence 2021



## LOOK TO THE FUTURE!

*Presented by the ELFA Emerging Talent Advisory Council (ETAC)*

### Highlights:

- Pierre Quinn, renowned emerging leadership speaker. Pierre will share the strategies and tools you need to activate your inner leader and finally close the gap between where you are and where you're called to be.
- Terry Grim, author of the Foresight Maturity Model, will empower attendees to see what's happening BEFORE the competition does, identify opportunities and move from "knowing" to "DOING."
- Ask a Leader Panel
- Diversity, Equity and Inclusion (DEI) Panel – moderated by ELFA Equality Committee Chair Scott Thacker.
- Opportunities to network with fellow attendees.

**PLUS!** Each Emergence participant will receive a complimentary DiSC assessment, designed to help improve teamwork, communication, and productivity in the workplace.

**Emergence is for YOU!** Emergence2021 LIVE! is open to anyone who would like to attend. Attendees should be those who have the ability and desire to lead, grow and make a positive impact on others.

**\$395 ELFA members • \$795 non-members**

See details at: [www.elfaonline.org/events/2021/Emergence21](http://www.elfaonline.org/events/2021/Emergence21)



EQUIPMENT LEASING AND FINANCE ASSOCIATION  
*Equipping Business for Success*

# Regulation of Commercial Finance Ramps Up

State legislation and enforcement aimed at commercial lessors and lenders continue at frenzied pace



**IN RECENT YEARS**, commercial finance companies have faced a patchwork of state laws governing their business, and scrutiny of their activities appears to be on the upswing. Two states that are home to substantial commercial finance activity—California and New York—have new requirements for consumer-style disclosures and are signaling greater interest in enforcement and licensing of these activities. While these developments merit careful attention from companies doing business in California and New York, they may also signal broader interest nationwide in regulation of commercial finance.

## California Commercial Financing Disclosures

California in 2018 became the first state to require nonbank lenders and other finance companies to make consumer-style disclosures in some commercial transactions, including for small business loans. The law requires covered lenders to disclose, among other things, the total cost of the financing expressed as an annualized rate for each commercial financing transaction. Included in that definition are commercial loans, leases, open-end credit plans, asset-based loans and purchases of receivables, including factoring. The California Department of Financial Protection and Innovation (DFPI) began work in 2019 to implement the law, but final regulations signaling the beginning of enforcement have not yet been promulgated; they are expected to be completed later this year, with compliance by early 2022. The proposed regulations cover the general format and content requirements for each disclosure. They also provide specifics on calculating the APR, including additional details for factoring transactions and sales-based financing transactions, among others.

## California DFPI Commercial Financing UDAAP Authority

California last summer enacted a Consumer Financial Protection Law that gave the DFPI expanded enforcement power, including the authority to define unfair, deceptive or abusive acts or practices (UDAAP) in

commercial financing, lease financing and factoring. DFPI just concluded in March a period for public comment on whether its implementing regulations for the law should define specific acts or practices as unfair, deceptive or abusive, and if the DFPI should require the collection and reporting of commercial financing data.

Between the pending disclosure rulemaking and the future commercial UDAAP rulemaking, the stage is set for California to significantly increase its enforcement in the commercial finance market.

## New York Commercial Financing Disclosures

New York also recently enacted a commercial financing disclosure law. Like California's law, it requires disclosing the total cost of the financing as an annualized percentage rate and includes exemptions for financial institutions (such as a chartered or licensed bank, trust company, industrial loan company or savings and loan association) and commercial financing transactions secured by real property. While the law initially applied to transactions under \$500,000, Gov. Cuomo in February signed into law an amendment that pushes the threshold to \$2.5 million. The amendments also create a new exemption for vehicle dealers and push the effective date to Jan. 1, 2022.

This legislative trend is not limited to California and New York as Connecticut and New Jersey are also considering enacting similar laws, and a proposed





amendment to the federal Truth-in-Lending Act introduced last summer would create a disclosure requirement for small business financing transactions less than \$2.5 million.

### Licensing

Several states have commercial lending licensure requirements for nonbanks. For example, the California Financing Law (CFL) requires a person making more than one commercial loan in a 12-month period to obtain a specific license. Currently, New York's Banking Law has a limited licensure requirement that covers the execution of commercial-purpose loans of \$50,000 or less with a rate above 16 percent. However, pending legislation in New York would expand licensing, requiring a license for those generally engaged in the business of making or soliciting commercial financing products, which include equipment leasing transactions, of \$500,000 or less. The legislation specifying equipment leasing transactions for coverage, which is a relative rarity among states, would exempt banking organizations—as well as any lender who makes or solicits five or fewer commercial financing products within a 12-month period.

### State Regulator Commercial Financing Enforcement

California is vigilant about enforcing licensing requirements under the CFL, aggressively targeting unlicensed businesses that broker transactions originated by CFL lenders and others that allegedly execute leases that are functionally structured as loans. The enforcement actions often stem from a license application, which triggers a DFPI review of pre-application activity, leading to fines if the applicant has engaged in unlicensed activity. Of note,

- In 2020, a California-based broker focused on small-business financing proactively disclosed that it had engaged in brokering activity for up to 100 loans without obtaining a license, and immediately

ceased brokering when it determined it needed one. The DFPI acknowledged the broker's responsible conduct, but nonetheless concluded after investigation that the broker had engaged in false, misleading or deceptive advertising, and fined the broker \$250,000.

- In 2017, the DFPI required a Minnesota-based leasing company with no physical presence in California to pay an administrative penalty of \$5,000 for brokering equipment leases for California customers that were deemed to be loans under the CFL. In line with this enforcement action, commercial financing companies applying for licensure in recent years have routinely faced careful scrutiny of their pre-licensure activities to determine if similar enforcement and fines may be applicable.

When DFPI targets a lessor for issuing leases disguised as loans under the CFL, the regulator has ordered refunds or credits to the borrowers for any interest charged over the 10 percent cap for nonexempt lenders.

Other states also appear to be taking a more aggressive enforcement posture for commercial lending, including New Jersey, where the state's attorney general recently took action against several business lenders for allegedly engaging in predatory lending and abusive collection tactics.

As state agencies across the country continue to ramp up their scrutiny, commercial finance companies must take greater care to avoid running afoul of increasingly complex regulatory schemes governing commercial financing. [E](#)



**MOORARI K. SHAH** is a partner in Buckley LLP's Los Angeles and San Francisco offices and a member of the ELFA Legal Committee. **DORIS YUEN** is a regulatory attorney in Buckley's Los Angeles office.



# Are Operating Leases Impaired?

## Lessors Should Take Necessary Steps to Evaluate

**THE RECENT INSTABILITY AND UNCERTAINTY** in the economy has caused disruption in both our personal and professional lives. While much of this due to the effect of the Coronavirus pandemic over the past year, there are other challenges that lessors are confronted with continuously. Accounting departments appropriately lead the way in evaluating the impact and meaning of such developments on financial reporting.

Asset performance has changed; some assets are being used more, some are being used less and some are being idled. How long these conditions will last is difficult to know. Accordingly, an area of increasing focus for lessors is that of asset impairment evaluation. FASB Accounting Standards Codification (ASC) Topic 360, "Property, Plant, and Equipment," provides guidance for the impairment of long-lived assets that are classified as held and used. In particular, the relevant guidance is included in the "Impairment or Disposal of Long-Lived Asset" subsections of ASC 360-10. The following discussion hopes to raise awareness for operating lessors of asset impairment of property, plant and equipment given the dynamic marketplace and provide background and a reference to enhance understanding.

### Asset Impairment Defined

Asset impairment describes a permanent reduction in the value of a company's assets to below the net book value amount that is recognized in the financial statements. There are several accounting models for asset impairment. In the case of "hard" assets such as property, plant and equipment, generally accepted accounting principles or GAAP requires impairment to be considered when the net book value (NBV) of an asset is greater than the net undiscounted cash flows excluding interest expense and taxes. ASC 842 requires that lessors evaluate assets for impairment on an annual basis and when indicators of potential impairment materialize. For operating lease lessors this includes both the underlying assets and the operating lease receivables.

### Steps for Evaluating Asset Impairment

There are basically four overall steps to be followed by

the lessor when evaluating asset impairment:

1. Determine if there are indicators of impairment.
2. Determine the unit of account to test.
3. Test for recoverability of the asset.
4. Measure for any impairment.

#### Step 1. Determine if there are indicators of impairment.

*Lessors need to be attuned to potential changes in the market value of their assets. Some examples of indicators or triggering events are as follows:*

- **Physical damage** - There is a significant adverse change in the asset's manner of use, or in its physical condition.
- **Market conditions change** - Objective evidence indicates there is a significant decrease in the asset's market price.
- **Early asset disposal** - The asset is more than 50% likely to be sold or otherwise disposed of significantly before the end of its previously estimated useful life.
- **Legal implications** - There is a significant adverse change in legal factors or the business climate that could affect the asset's value.
- **Cash flow changes** - There are past, current or expected cash flow losses associated with the asset or asset group.

In this environment, the market conditions trigger is often applicable.

#### Step 2. Determine the unit of account to test.

*Lessors need to assess the proper asset or asset group to be tested.*

For purposes of recognition and measurement of an impairment loss, a long-lived asset or assets shall be grouped with other assets and liabilities at the lowest

level at which there are identifiable cash flows. This means largely independent of the cash flows of other asset or asset groups and liabilities. There is considerable judgment in applying this test. Some companies test long-lived assets under the assumption that each asset is an asset group, while others test entire reporting units (or the entire company as a whole) as an asset group. Both of the above positions appear to be supported by language within the standard as long as the facts and circumstances can support the position.

### **Step 3. Test for recoverability of the asset.**

*The recoverability test is performed by the lessor to determine whether an impairment loss should be measured.*

The undiscounted net cash flows, excluding finance costs and taxes, expected to be generated by the underlying asset over its useful life, including estimated residual proceeds, are calculated based on the unit of account that was determined. The result is then compared with the asset's current net book value. If the cash flows are greater than the net book value, then the analysis does not generally need to go further. This is a very forgiving test since discounting is omitted. However, if cash flows are less, then an impairment exists. The next step would be to measure the amount of any impairment, and that measurement is essentially dropping off a cliff.

In this environment, projecting cash flow may be difficult as today's conditions are unusual. Some of the questions that need to be addressed include:

- How long will the current conditions last?
- What will cash flows be during the interim period to recovery?
- What will the "new normal" look like?

### **Step 4. Measure for any impairment.**

The fair value of the asset or asset group is determined with the impairment being the amount by which the carrying value (NBV) exceeds the asset or asset group's fair value. In accordance with GAAP guidelines, the determination and the character of cash flows in step 3 above are intended to be specific to the individual company. The cash flow financial projections in step 4 are recreated using market participant assumptions and fair value concepts. An appraisal would potentially be utilized to indicate and support the fair value. If the overall conclusion is that impairment exists, then it must be recognized in the financial statements.

## **Financial Statement Recognition**

Impairment adjustments are recorded as a charge (loss) on the income statement, offset with a reduction to the asset account. If material, impairment charges are reflected as a separate line item. In addition to recording the actual impairment losses, disclosures are required about how the impairment charge was determined, including the indicators or triggering events, and the methods used to calculate the impairment. If an impairment loss is recognized, the adjusted carrying amount would become its new cost basis. Further, if the long-lived asset is depreciable, the new cost basis should be depreciated over the remaining useful life of that asset. Restoration of a previously recognized impairment loss is not permitted.

## **Allocating Impairment Losses to an Asset Group**

In a scenario where an impairment loss is calculated, only the carrying amounts of a long-lived asset or assets of the group are decreased by that impairment loss. The loss should be allocated to the long-lived assets of the group on a pro-rata basis using the relative carrying amounts of those assets. However, the loss allocated to an individual long-lived asset of the group should not reduce the carrying amount of that asset below its fair value.

## **In Summary**

Many lessors are still navigating through challenges in response to the Coronavirus and other factors. As the markets evolve and begin to re-emerge, companies should seek guidance from their professional service partners on impairment factors as discussed above and other elements beyond the scope of this article such as assets held for sale, loss allocations, impairments of receivables, lessee ROU impairment and others. This will ensure that impairment considerations are in compliance with GAAP and it will be meaningful for the stakeholders and users of its financial reporting information. ☰



**JAY WILENSKY** is Vice-President, Accounting & Finance, at Chicago Freight Car Leasing Co, a subsidiary of Sasser Family Companies. He is a member of the ELFA Financial Accounting Committee.

# Planning for An Uncertain Tax Environment

**THE TAX LAWS** that ELFA members will face in the coming years are uncertain; the only thing for sure is that they will change. As of press time, we know that the Biden Administration believes that the corporate tax rate should go up and would like it to rise to 28% from the current 21%. We also know that there are discussions of a variety of other tax increases, from raising the top individual marginal rate, which small businesses also pay taxes under, to scheduled changes to the complex tax rules for large multinational corporations. Additionally, many are discussing raising the gas tax, but potentially more dramatic would be reforming the gas tax to reflect miles driven to capture the increased use of electric cars. Lastly, there have also been discussions of new types of taxation ranging from financial transaction taxes to value added taxes to a tax on carbon. Many of these additional revenues are being discussed in the context of paying for infrastructure that could be a boon for investment in a wide variety of equipment verticals.

Tax-savvy ELFA members know that future tax rates can dramatically change the economics of a transaction. In the equipment finance industry, we always remember that while tax increases are never welcome, they do have a silver lining in that they make deductions more valuable. The value of deductions can lead to important behavioral changes for companies that do the math before they make an acquisition. After the Tax Cuts and Jobs Act was passed in 2017, the corporate tax rate became 21%, a 14-percentage point drop from the historical rate of 35%. This made a \$100,000 tax deduction worth \$21,000 whereas the year before it had been worth \$35,000. We know that in the years following there was a higher propensity to use cash for acquisitions. While it's probably not correct to ascribe this entire phenomenon to the lowering of the tax rate, it's also naïve to think that it didn't play a large role.

Looking forward, how should an ELFA member plan for this uncertain tax environment? First, identify what we do know. We know that, absent congressional action, the ability of businesses to deduct interest is going to become more limited starting next year. Additionally, 100% expensing is scheduled to become 80% in 2023, 60% in 2024, and so on until it phases out. These scheduled changes could be modified, but it's costly to the government to do so. Do these provisions affect you? Do they affect your customers?

Additionally, if corporate or small business tax rates were to go up, would your customer base become more likely to enter true leases over financings? Would they be more likely to finance vs. use cash? What does the interest rate environment mean for all these elements? Will you need to adjust your pricing to maintain your returns on an after-tax basis? For existing deals, the income that you thought was going to be taxed at 21% may end up being taxed at a higher rate; are there ways that you can adjust to that? Should you investigate the use of tax indemnification clauses in some of your contracts?

In closing, while taxes deservedly get a lot of discussion for the role that they play in acquisitions, most acquisitions are completed because the customer simply needs the equipment, and the tax implications are largely irrelevant to that decision. It's also important to remember that even if tax increases occur, if they are used to fund infrastructure, there are opportunities at play in those verticals. Wise ELFA members will certainly be there to take advantage of those opportunities. ☰

**Future tax rates can dramatically change the economics of a transaction.**



For more information, contact **ANDY FISHBURN**, ELFA Vice President of Federal Government Relations, at [afishburn@elfaonline.org](mailto:afishburn@elfaonline.org).

# VIRTUAL Best Practices Roundtables

*Problem Solve • Share Best Practices • Network*



**Bank Best Practices Roundtable - May 27**

**Small Ticket Best Practices Roundtable - June 3**

**Captive and Vendor Finance Best Practices Roundtable - June 17**

Designed to bring senior executives from ELFA member companies together for information sharing and critical thinking about the issues they are facing as leaders of their organizations.

There is no cost to attend this year's best practices roundtables.

To register, go to: [www.elfaonline.org/Events/Calendar/](http://www.elfaonline.org/Events/Calendar/)

For more information, contact Alexa Carnibella at [acarnibella@elfaonline.org](mailto:acarnibella@elfaonline.org)



EQUIPMENT LEASING AND FINANCE ASSOCIATION  
*Equipping Business for Success*



# Connecticut Finance Disclosure Bill Introduced

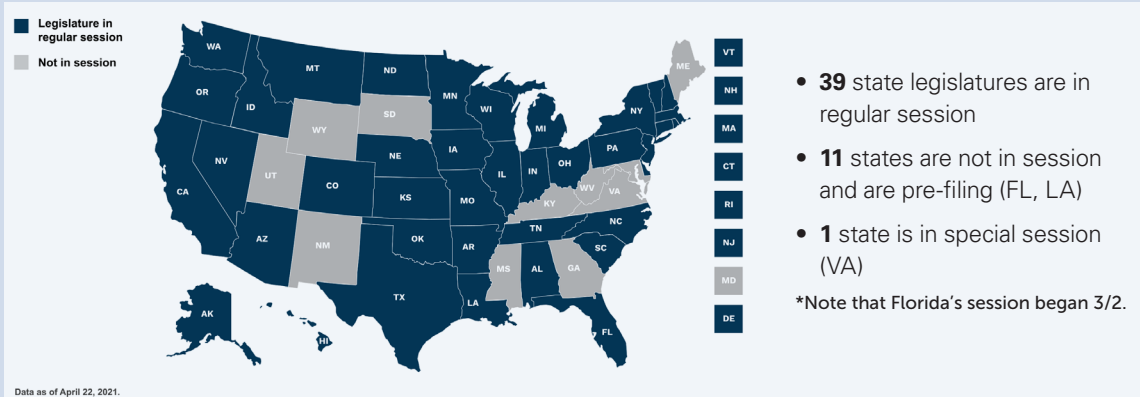
[Connecticut Senate Bill 745](#), drafted by the Senate Bank Committee, was referred to the Joint Banking Committee and was heard on March 2. The measure, consistent with recent enhanced disclosure laws in California and New York, exempts equipment leases as [defined in section 42a-2A-102 of the general statutes](#). That section is titled "Uniform Commercial Code Article 2A – Leases Section 42a-2A-102" and has the citation [CT Gen Stat § 42a-2A-102 \(2013\)](#). ELFA has worked to educate Connecticut policy makers and

leadership and will continue to monitor this bill closely. Your views of this development can be shared with ELFA Vice President, State Government Relations Scott Riehl. [☰](#)



For more information, please contact ELFA Vice President of State Government Relations **SCOTT RIEHL** at [sriehl@elfaonline.org](mailto:sriehl@elfaonline.org).

## State Legislatures in Session



With 39 states currently in session, your team at ELFA is working to review and, where needed, to address all legislation filed that impacts your interests. ELFA's efforts are focused on identifying any and all measures that would wrongly infringe on the operations of ELFA members in the commercial sector, addressing those bills that require our attention and conversely promoting legislation that addresses industry needs.

Traditionally ELFA has projected that more than 180,000 state legislative bills will be filed across the 50 states on a yearly basis. In 2021 ELFA projects this number will increase significantly due to the

interruptions caused by the pandemic, the closing down of state legislative chambers and the backlog of legislative filings not addressed or permitted due to the shortened legislative session. Of that more than 180,000 state legislative filings, ELFA estimates there will be more than 2,000 bills introduced in 2021 that may impact our members' interests.

ELFA sends out email updates on state legislative and regulatory activity as it occurs. You can receive this information by sending complete contact information to ELFA Vice President, State Government Relations Scott Riehl.



# Is Your ELFA Profile Complete?

Your ELFA profile showcases your industry expertise and makes a great first impression to potential business prospects. Ensure your profile shows a complete picture of who you are.

## Individual Profile

In addition to your contact information, job function and Business Council, don't forget to include your:

- Photo
- Email
- Cell Phone
- LinkedIn URL
- Communication Preferences
- Job Title

## Company Profile:

Ensure others searching the ELFA member directory and the Equipment Finance Advantage website can easily connect with your business. *Note: Only the key contact at your company may update the company profile.*

In addition to your company's contact information, please be sure to include your:

- Website URL
- Twitter Handle
- LinkedIn Page
- Facebook Page
- Company Description and logo
- Business Council
- States with Employees or Physical Locations

## Five easy steps to update your individual or company profile:

- 1 Visit the ELFA website at [www.elfaonline.org](http://www.elfaonline.org).
- 2 Click on "User Login" in the top right corner of the page.
- 3 Click on "Account Tools" in the top right corner of the page.
- 4 Click on "Update My Information" (for individuals).
- 5 Click on "Update Company Profile" (for companies).

Questions? Contact [membership@elfaonline.org](mailto:membership@elfaonline.org)

## Invest in Your Future

**YOUR GENEROSITY TO THE FOUNDATION** supports the production of future-focused research and programs benefiting the advancement of the equipment finance industry and, most importantly, YOUR personal and professional advancement. After all, the industry isn't just about growing company size or portfolio assets. It comes down to the people in it.

Knowing trends, challenges and opportunities gives you a competitive edge, as well as benefits your business and the broader industry.

So, what are you giving yourself when you donate to the Foundation? You receive early access to critical forward-looking economic and industry data and topical studies that would be prohibitive on an individual

or even company basis. This continually growing body of knowledge positions you to understand and incorporate key insights and intelligence that enhance your professional knowledge and what you bring to

the table. Knowing trends, challenges and opportunities gives you a competitive edge, as well as benefits your business and the broader industry.

How about our new study on cybersecurity, **Cyber Risk and Security Trends in the**

**Leasing and Finance Industry?** This latest topical study from the Foundation is a robust examination of the far-ranging impacts equipment finance organizations face from the widespread adoption of technology into their businesses.

This, and all Foundation studies, are available at no charge in our extensive online library.

Recent releases like the Q2 update to the **Equipment Leasing & Finance U.S. Economic Outlook** provide the U.S. macroeconomic

outlook, credit market conditions and key economic indicators, among other critical data for the equipment finance industry. The Monthly Confidence Index for the Equipment Finance Industry (MCI-EFI), which

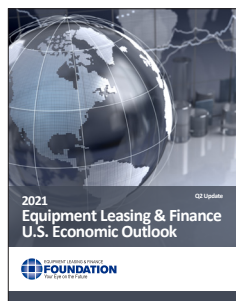
provides prevailing business conditions and expectations for the future from key industry executives, and the **Foundation-Keybridge U.S. Equipment & Software Investment Momentum Monitor**, which tracks 12 equipment and software investment verticals, are released on a monthly basis.

Also available is the Foundation's Industry Snapshot, a presentation slide deck which summarizes the current conditions and projections for the U.S. economy and equipment finance industry. Its clear, easy-to-digest charts and short narratives of key trends are ideal for your use in executive briefings and presentations.

We hope you will consider the value you receive personally from the Foundation as we invite you to participate in our 4th Annual Day of Giving on June 8,

2021. The Day of Giving is intended to attract new donors and remind people of the lasting impact they and their companies make when they support the Foundation's mission to propel the equipment finance industry forward. For 2021, the Foundation hopes to raise at least \$21,000 and attract more than 21 new individual donors during this 24-hour campaign. All giving levels are welcome.

With the investment you make in the Foundation, you will also be making an investment in yourself. ☰



**DIANE JOHNSON**, on behalf of the Equipment Leasing & Finance Foundation.

**EDWARD A. GROOBERT AWARD  
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**Bonnie Michael**  
Volvo Financial Services

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and the ELFA Legal Committee.*

# The Importance of Company Culture During COVID

## Putting Employees and Customers First

**THE PANDEMIC** took its toll on all businesses and organizations nationally regardless of size, not only due to lost business opportunities but also due to the impact it had on the employees. The pandemic posed a threat to employees' physical health in an apparent way; however, the threat to their mental health was equally ominous but less obvious. To make matters worse, employees faced additional stressors manifested in the forms of a charged political environment, a resurgence of civil rights and socio-economic inequality issues and an enormous shift in their daily lives. Employees' mental health was constantly in jeopardy while we attempted to balance the economic environment with our organizational needs. It was a call for compassion, vulnerability and self-reflection at all levels within all organizations.



At Eastern Funding LLC, the leadership team chose to continually challenge company practices and ask what else we could do to support and care for our team members. It was the theme of many meetings and internal conversations. The initial attempts at employee engagement and support were organic as a result of a strong company culture. With three committees already in place focused on culture and employee wellness, the company added activities such as companywide online yoga and Zumba classes, daily meditation sessions and virtual anniversary celebrations. In addition, the organization provided two rounds of financial relief

for all employees. Eventually, leadership took more drastic measures by engaging a wellbeing consultant while also addressing some of the external events internally. Eastern Funding's EVP posted an emotional video addressing the struggles of the African-American community while the CEO sent a heartfelt message in support of Eastern's largely diverse staff.

The wellbeing consultant focused on creating quarterly "pulse" surveys to continually measure the stress

levels and specific stressors within the organization. The wellbeing consultant also held wellness sessions aimed at helping employees recognize their individual stress levels and identifying coping mechanisms. In addition, sessions for caregivers were offered addressing the additional stressors of virtual school and working while managing kids in the home. Lastly, work was done directly with all executives and mid-level managers, giving them the tools to identify when a team member is struggling, how to support them and how to offer services. The wellbeing services were one of the best investments made as they conveyed leadership's commitment to the employees' overall wellness, dedication to a healthy company culture and the strength of the organization.

**The company added activities such as companywide online yoga and Zumba classes and daily meditation sessions.**

The investments made towards the employees' wellness in the form of the consultant, the engagement activities and the financial relief paid back priceless dividends. The general feedback from employees at all levels has been a strong sense of commitment to the organization's success. Those levels of commitment were heavily leveraged during the execution



of major projects. For example, Eastern Funding provided our customers with nearly 5,000 COVID relief modifications. To put that into context, the company typically completes about 400 modifications a year. Eastern also completed a full system conversion of the underwriting system, which will also serve as an enterprise system. The conversion was a yearlong project for a specific team of people and it was earmarked as their full-time job for 2020. However, the conversion became a fraction of their workload due to the new pandemic related demands. In addition, the demands on the Originations, Sales and Operations teams increased significantly with continued new business. The same people who processed the relief modifications also processed the originations and tested the new system. Simultaneously, Customer Service, Collections and the Workout/Legal departments were inundated with customer inquiries and desperate requests for help.

Ultimately, after a chaotic year no one saw coming, Eastern Funding proved to be successful through the most challenging year of its 24-year history. This success was a direct result of an organizational culture that had been carefully nurtured throughout the years. A culture of putting employees and customers first. A culture that ensured the company kept mental health and wellness in the forefront of every business decision. I couldn't be prouder of my colleagues at Eastern Funding and the resilience, poise and hard work they displayed in 2020. ☐

**NANCY ROBLES** is Chief Operating Officer/ Compliance Officer at Eastern Funding LLC.

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# ELFA

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# Construction Execs Cautious Yet Hopeful As 2021 Unfolds

**FROM A GLOBAL HEALTH PANDEMIC** to civil unrest to an historical election year, 2020 tested the resilience of most industries. This was an especially important year for Wells Fargo to touch base with our construction industry executives as they reflected on the complicated year, and anticipated what 2021 might bring.



In March, Wells Fargo released the results of its 45th annual Construction Industry Forecast. Understandably, the results were mixed with an initial decline in sentiment about the nonresidential construction market as the year ended, followed by renewed optimism about what the second half of 2021 might hold for the sector.

Survey results showed that leaders ended 2020 feeling cautiously optimistic, with a 2021 Optimism Quotient score of 78, representing a 21-point drop from 2020. Much of the drop was driven by near-term uncertainty stemming from a tumultuous election cycle and a global pandemic.

The survey, conducted between November 9 and December 7, showcases results based on responses from 226 construction executives in 44 states.

Although results indicate a decline in optimism among both contractors and distributors, it is worth noting that the outlook of the construction industry as a whole remains positive.

Here are key findings that stem from the industry leaders' sentiment when surveyed:

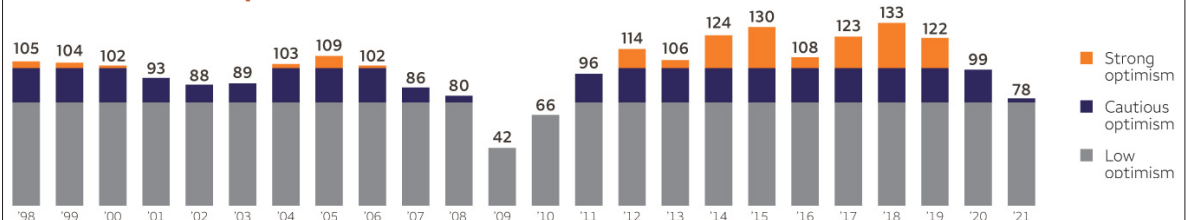
## Industry optimism

- Pessimism for nonresidential construction activity continues to grow among executives.
- While executives are becoming more pessimistic regarding nonresidential construction activity, their optimism for residential construction activity strengthens.
- Of the executives who think that nonresidential construction activity will remain the same, most feel it will increase in the year's second half as vaccines continue to rollout.
- The outlook of the construction industry as a whole remains positive, with 59% believing it will expand in the next two years.

## Trends in rentals and purchases

- Overall trends in equipment rentals and purchases among contractors remain unchanged.
- More distributors report renting out less

## U.S. National Optimism Quotient



Base: Total respondents – 226 in 2021, 305 in 2020, 441 in 2019, 312 in 2018, 407 in 2017, 474 in 2016, 413 in 2015, 552 in 2014, 370 in 2013, 405 in 2012.

The Optimism Quotient (OQ) — the survey's primary benchmark for measuring contractor and equipment distributor sentiment on local nonresidential construction activity — is 78 for 2021.

equipment now than a year ago; however, they continue to utilize the majority of their fleet.

#### Top cost concerns


- Executives expressed uncertainty about the local and national economy, political changes and public health as it relates to COVID-19.
- Potential tax increase concerns rose from 4% in 2020 to 13% voicing tax concerns in 2021.

That said, we've seen optimism continue to rise while working with Wells Fargo clients throughout the first quarter, as executives adopt a long view amid the country's recovery. Sixty percent of those surveyed expect the construction industry to expand over the next two years. Most also believe net profits will remain the same (34%) or increase (41%) in 2021.

Despite some lingering pessimism regarding commercial construction, one key factor contributing to a more positive outlook is how well the industry weathered the global turmoil caused by the pandemic. Many who contacted their banks for extensions

and concessions ended up not needing them. Contractors especially proved to be more prepared to handle the downturn and continue to meet their financial obligations.

After a year of great uncertainty, it was no surprise that we entered the new year with some hesitation. The bottom line is cautious optimism captured by the survey is not cause for continued concern. The commercial construction industry adjusted and adapted well, which contributes to a more optimistic short-term and long-term outlook going forward.

As we shift our focus to what's ahead, please reference the full report as you weigh future business decisions against what your industry peers have to say. You can download it at <https://www.wellsfargomedia.com/construction-industry-forecast/>. 

**JIM HERON** is national sales manager for the Construction Group within Wells Fargo Equipment Finance. Opinions and information included in this article are general and not intended to provide specific advice or recommendations for any individual or entity. The author's opinions do not necessarily reflect those of Wells Fargo Equipment Finance or any other Wells Fargo business.

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*Workshop Attendee*

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- Marketing personnel
- Vendors/Vendor sales staff
- New members of ELFA

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