

EQUIPMENT

Leasing & Finance

THE MAGAZINE FOR INDUSTRY EXECUTIVES

OCTOBER 2021

Funding Catches a Wave

An ocean of liquidity has sellers surfing and buyers swimming against the tide.



4 Lessons for Your Next
Technology Project

Highlights from the 2021
Credit Manager Survey

Corporate D&I Efforts Grow
with Data Transparency

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60 YEARS
1961-2021

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Annual
Convention
Preview
Inside

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COVER STORY

26 **Funding Catches a Wave**

An ocean of liquidity has sellers surfing and buyers swimming against the tide.

By Susan L. Hodges



7 **Annual Convention Program Highlights**

EQUIPMENT Leasing & Finance

THE MAGAZINE FOR INDUSTRY EXECUTIVES

Contents

OCTOBER 2021

FEATURES

30 **4 Lessons for Your Next Technology Project**

ELFA's 2021 innovation winner asks, "Is there an easier way to do this?" and finds improvements virtually everywhere.

By Gwen Moran

34 **Exploring Tech in a Post-Pandemic World**

By Diane Johnson

36 **Highlights from the 2021 ELFA Credit Manager Survey**

By Kevin P. Prykull, CLFP

38 **5 Takeaways: Reaching Customers Through Content Marketing**

By Diane Johnson



Contents

OCTOBER 2021

COLUMNS

5 From the President & CEO

Getting Ready for the Annual Convention
By Ralph Petta

◀ 40 Leasing Law

Corporate Diversity and Inclusion Efforts
Grow with Data Transparency
By Julia Gavrilov

42 Financial Watch

Thoughts for Captive Finance Lessors:
Accounting for Leases
By Herbert Lohmann

44 Federal Insight

At Long Last, CFPB Issues Section 1071
Regulations
By Andy Fishburn

46 Around the States

ELFA Files Additional Comments to
California Commercial Financing Disclosure
Regulations
By Scott Riehl

◀ 50 Executive Perspective

Optionality Still Matters
By Jon Biorkman

DEPARTMENTS

16 ELFA News

A Roundup of Association Events, Resources
and Member News

20 Milestones



Q&A with Cat Financial's
Dave Walton

22 Business Council Updates

5 Minutes with the Service Provider Chair

24 Industry Dashboard

The Latest ELFA and Foundation Data

48 Foundation News

The Industry Future Council:
Your Lens into the Future
By Charlie Visconage

ADVERTISER'S INDEX

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www.aliac.net

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www.bigiron.com

Dominion Leasing Software..... 15
www.domls.com

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www.gaic.com

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www.greatamerica.com/portfolio

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CELEBRATING
60 YEARS
1961-2021
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The Equipment Leasing & Finance Foundation provides a wealth of information to keep your eye on the future.

The Foundation is your source for future-focused studies such as:

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- Monthly Momentum Monitors
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- Vertical Market Outlooks
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Getting Ready for the Annual Convention



WE OFTEN SAY that funding is the lifeblood of the equipment finance industry. In this issue of *Equipment Leasing & Finance*, we examine the funding environment a year-and-a-half into the COVID pandemic. We talk to industry leaders about liquidity and the availability of capital, how interest rates are affecting the cost of funds and what's on the horizon.

As our cover story reports, amid what some pundits are calling "the pre-post-pandemic," equipment finance companies are continuing to support their customers' economic recovery and hunting for ways to grow—and finding opportunities in an evolving landscape.

Don't miss the chance to discuss funding with your colleagues at the upcoming ELFA Annual Convention—see a list of funding-related breakout sessions in "Funding Catches a Wave."

Celebrating Innovation

For nearly two decades, ELFA's Operations & Technology Excellence Award has led the way in recognizing the innovative use of technology in equipment finance. Today the spirit of this award is more important than ever as our industry competes in a rapidly changing world. We've all seen how the pandemic has sped up technology adoption and innovation! In our feature story "4 Lessons for Your Next Technology Project" the winner of this year's award shares lessons learned to help other equipment finance companies looking to leverage technology to improve the customer experience and drive operational efficiency and growth.

Preparing for the Annual Convention

We'll be exploring these and many more industry hot topics at the ELFA Annual Convention in San Antonio, Texas on Oct. 24-26. With the convention approaching, many of you are already reviewing the attendee list, planning your networking and business meetings and consulting the agenda to decide which sessions to attend. See a preview of all the Convention activities in the special insert in this issue.

The COVID pandemic has presented a lot of "firsts" and this year for the first time you have the option to attend the Convention in-person or virtually. For those of you who will be attending in-person, the safety of our participants, community and staff are our top priority. As we take important steps to provide for the health and safety of our attendees, we ask that you review the COVID safety information, well-being protocols and policies posted on the Convention website at www.elfaonline.org/ac.

Recognizing an Outstanding Volunteer

We extend congratulations to an extraordinary member who will be recognized at the ELFA Annual Convention. Tom Ware will receive the 2021 Michael J. Fleming Distinguished Service Award—see details on p. 18. We couldn't be an effective organization without the efforts of volunteer members like Tom.

Thank you as always for your continued 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.

RECONNECT REUNITE

Review the COVID safety protocols for the ELFA Annual Convention at www.elfaonline.org/ac.

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RECONNECT REUNITE

60TH Annual Convention

October 24-26, 2021

JW Marriott Hill Country
San Antonio, Texas

PROGRAM HIGHLIGHTS

CELEBRATING
60 YEARS
1961-2021

ELFA
EQUIPMENT LEASING AND FINANCE ASSOCIATION

60TH ELFA Annual Convention

At the 60th ELFA Annual Convention, industry leaders will reunite, reconnect and exchange best practices for innovating, winning business and leading in an age of rapid change.

The past year presented countless challenges to our nation's economy and ELFA member businesses. Overall, however, the equipment finance industry has demonstrated remarkable resilience and durability. Today, the equipment finance sector is helping the nation get back to business by financing billions of dollars in equipment investment by businesses both large and small.

As the nation looks forward to emerging from the pandemic, the most successful equipment finance companies aren't returning to "business as usual." They are preparing to take advantage of new opportunities in the marketplace and adapting their business models to meet changing customer demands.

Position your business for success by registering for the 60th ELFA Annual Convention!

WHY ATTEND?

The ELFA Annual Convention is the primary forum that industry leaders turn to with assurance when it comes to addressing critical issues and trends. It is the largest, most important annual gathering of equipment leasing and finance professionals.

NEW THIS YEAR: ATTEND IN-PERSON OR VIRTUALLY

ELFA is offering the 60th Annual Convention as a hybrid event! You have the flexibility to choose the option that works best for you:

- **In-Person:** Attend the Convention in-person to reunite and reconnect with colleagues at the JW Marriott Hill Country in San Antonio. Onsite attendees will enjoy unparalleled opportunities to network, do business and uncover ideas to help your business grow—plus discover solutions in a first-rate exhibit hall. All in person attendees will also have access to attend education sessions virtually as well. To ensure safety, ELFA will follow Centers for Disease Control and Prevention recommendations throughout the conference space.
- **Virtual:** Attend the Convention remotely to hear from industry experts from the comfort of your home or office. Watch livestreams of high-quality educational sessions and top-notch keynote speakers when and where it's most convenient for you—for a discounted price. Registering multiple virtual attendees? Discounted bulk pricing is available for virtual attendees only. Register three or more virtual attendees at the rate of \$695 (original price \$795). To register for virtual bulk pricing please contact Janet Fianko at 202-238-3420 or jfianko@elfaonline.org.

COVID-19 HEALTH & SAFETY PROTOCOLS

As always, the safety of our participants, community and staff is ELFA's top priority. We are actively monitoring the pandemic and our health protocols will be updated on our convention website in accordance with expert guidance published by the U.S. Centers for Disease Control and Prevention (CDC) for events and gatherings, in coordination with event host properties. You can view the latest ELFA COVID-19 health and safety protocols for attendees, exhibitors and staff at www.elfaonline.org/ac. In addition, the JW Marriott San Antonio Hill Country Resort & Spa has implemented a variety of new protocols and elevated practices in response to the COVID-19 pandemic and is maintaining high standards of cleanliness and a commitment to providing excellent service. Please don't hesitate to reach out with any questions at meetings@elfaonline.org.

BECOME A SPONSOR!

The ELFA Annual Convention provides unmatched opportunities to get noticed through a variety of sponsorship opportunities. To become a sponsor, contact Steve Wafalosky at steve@larichadv.com or 440-247-1060.

Schedule of Events

All convention activities will be held at the JW Marriott Hill Country in San Antonio, Texas.

Sunday, October 24

7:00 a.m.

Breakfast for Golfers

8:00 a.m.

Golf Tournament (Shotgun Start)

JW Marriott Hill Country AT&T Canyons Course



8:00 a.m. – 1:00 p.m.

Jim McGrane Charity Bike Ride

(pre-registration required; additional fee for bike and other equipment)



10:00 a.m. – 8:00 p.m.

Convention Registration

(Attendees & Exhibitors)

1:00 – 2:00 p.m.

Luncheon for Golfers

2:00 – 5:00 p.m.

Exhibitor Setup

2:30 – 4:00 p.m.

Community Service Project:

Build-a-Wheelchair®

(on property; pre-registration required)

4:30 – 5:30 p.m.

New Members and Leadership Reception

5:00 – 6:00 p.m.

Women's Council Reception—All Welcome

6:00 – 8:30 p.m.

Welcome Reception

Exhibits Open

Monday, October 25

7:00 a.m. – 4:30 p.m.

Convention Registration

7:00 – 8:15 a.m.

Group Breakfast

7:00 a.m. – 4:30 p.m.

Exhibits Open

8:30 – 10:00 a.m.

General Session

Chair's Address and Keynote Address

Speakers:



KRIS SNOW, Chair, ELFA

President, Cisco Systems Capital Corporation



DEDE HALFHILL

Renowned Leadership Expert & Colonel, USAF (Ret.)

10:00 a.m. – Noon

Refreshment Break in Exhibit Area

10:30 a.m. – Noon

Concurrent Breakout Sessions

- The Shift from Hard Assets to Servitization:
New Models for Equipment Finance Providers
- Capital Markets Review: Funding in the Digital Age
Supported by: Equipment Leasing & Finance Foundation
- The New Leadership Playbook: How to Ignite
Performance at Every Level
Supported by: ELFA Women's Council
- Technology Innovation Workgroup Presents: Real AI
in Equipment Finance



Schedule of Events *continued*

11:00 a.m. – 3:00 p.m.

Spouse/Companion Event:

Texas Outfitters and Wine Tasting at the JW Marriott

(pre-registration required)

12:15 – 2:00 p.m.

Equipment Leasing & Finance Foundation Luncheon



Speaker:



ROBERT WESCOTT, Ph.D.
President, Keybridge Research LLC

2:00 – 4:00 p.m.

Refreshment Break in Exhibit Area

2:30 – 4:00 p.m.

Concurrent Breakout Sessions

- Corporate Diversity, Equality and Inclusion – The Realities, Challenges and Goals
Supported by: ELFA Equality Committee
- Back to the Future: Hot Legal Topics for ELFA's 75th Anniversary
- Fleet Modernization – Utilizing Data and Analytics from Acquisition through Remarketing
- Strategic Shift: Start Thinking and Operating Like a Digital Company

4:30 – 5:30 p.m.

Equality Committee and Emerging Talent Advisory Council Reception—All Welcome

5:30 p.m.

Individual Company-Sponsored Receptions and Events

Tuesday, October 26

7:00 a.m. – 3:00 p.m.

Convention Registration

7:00 – 8:15 a.m.

Group Breakfast

7:00 a.m. – 3:00 p.m.

Exhibits Open

8:30 – 10:30 a.m.

General Session

President's Report and Keynote Speaker (TBD)

Speaker:



RALPH PETTA
President and CEO, ELFA

10:30 a.m. – Noon

Refreshment Break in Exhibit Area

11:00 a.m. – 12:30 p.m.

Concurrent Breakout Sessions

- Equipment Demand in the Post-Pandemic Small Business Economy
- Transforming Process and Perception with FinTech Innovation
- The Emerging Talent Advisory Council Presents
Supported by: ELFA Emerging Talent Advisory Committee
- Cyber Security — Keeping Your Company Safe

11:00 a.m. – 5:00 p.m.

Spouse/Companion Event:

San Antonio Missions Tour and Luncheon

(pre-registration required)

12:45 – 2:30 p.m.

Community Luncheon for All Attendees

3:00 – 4:30 p.m.

Concurrent Breakout Sessions

- Financing the Intersection of the Circular Economy and the ESG Revolution
- Futureproofing Operational Processes and Technology Transformations
Supported by: ELFA Operations & Technology Committee, Operations & Technology Excellence Award
- Leaving LIBOR Behind - What's Next?

6:30 – 9:30 p.m.

Closing Party and Dinner

Deep in the Heart of Texas!



If you are planning to arrive early,
you might want to participate in
these activities:

Sunday, October 24

8:00 a.m.

Golf Tournament

AT&T Canyons Course; on property

Additional fee; reserve your spot when registering
for the convention.

8:00 a.m. – 1:00 p.m.

Jim McGrane Charity Bike Ride

A guided scenic ride of the Texas Hill Country.
Additional fee for the bikes and other equipment.

2:00 – 4:00 p.m.

Community Service Project: Build-a-Wheelchair®

This project will be conducted on the grounds
of the JW Marriott Hill Country.

No additional fee; reserve your spot when
registering for the convention.

IMPORTANT DATES

• Friday, October 1, 2021:

Last day to receive the special ELFA convention rate for your accommodations at the JW Marriott Hill Country.

• Friday, October 8, 2021:

Last day for online registrations. After this date registrations can be made on-site. *Please note: There are no refunds of registration fees after this date.*

Speakers



DEDE HALFHILL

Renowned Leadership Expert and Colonel, USAF (Ret.)

Described by Dr. Brené Brown as one of her “leadership heroes and a total badass,” U.S. Air Force retired Colonel DeDe Halfhill is a proven leader and communications executive who draws on her 25-year accomplished military career to provide a transparent, real-world perspective on the power of embracing humanness and vulnerability in leadership.

During her time with the Air Force, Halfhill became a trusted advisor to some of our nation’s highest-ranking military leaders, including the Chairman of the Joint Chiefs of Staff and the Secretary of Defense, as well as the lead military spokesperson responsible for implementing plans supporting the Department of Defense’s global communications strategy. Deployed twice during the Iraq War, Halfhill gained first-hand experience leading and advising through the most difficult circumstances, often when lives were at risk, and when there were no easy answers. She understands leadership, not just from studying it, but by actually living it.



DR. ROBERT WESCOTT

Founder and President, Keybridge Research LLC

Robert F. Wescott is Founder and President of Keybridge Research LLC, an economic consulting firm in Washington, DC, that has served major financial institutions, Fortune 500 companies and leading business associations since 2001. Dr. Wescott concentrates on global macroeconomics, financial risks, and public policy research. He provides global asset allocation advice to high-profile international financial firms and is a frequent speaker to business and financial audiences around the world. Dr. Wescott also testifies as an expert before U.S. Congressional committees on economic, financial, and energy policy matters. He will discuss the state of the economy and what it means for your business, and summarize the Equipment Leasing & Finance Foundation’s 2021 Industry Future Council report, providing a glimpse into the future of the equipment finance industry.

RECONNECT REUNITE

Spouse/Companion Program

San Antonio, Texas is a wonderful destination and ELFA has planned some terrific activities for spouses/companions. We encourage you to bring your spouse/companion this year.

A spouse or companion attending any portion of the convention or social function must be registered and pay the appropriate spouse/companion fee. If he or she is employed in equipment finance, the full member attendee registration fee is due.

For your enjoyment during the ELFA Annual Convention, we are offering different packages for spouse/companion attendees. Choose the package that fits into your plans.

Package #1

Full Convention Registration

This package includes all convention activities. Spouses or companions who register for the full convention package are entitled to attend all sessions and social activities, including the Sunday Welcome Reception, the Tuesday Night Closing Party, special spouse programs on Monday and Tuesday, and breakfast each morning.

Package #2

Evening Events Only

This package includes the Sunday Welcome Reception and the Tuesday Night Closing Party. Spouses or companions registering for this package may also attend any business sessions they like.

Package #3

Special Spouse/Companion Activities

This package includes the special events planned specifically for spouses and companions, separate from convention sessions on Monday and Tuesday. Descriptions of each of these special events follow.

Texas Outfitters and Wine Tasting at the JW Marriott Monday, October 25

11:00 a.m. – 3:00 p.m.

Spouses have the opportunity to look the part and gear up for the Closing Party, Deep in the Heart of Texas, with a custom hat fitting over a Texas-inspired lunch and wine tasting. This come-and-go event will also feature other Texas surprises you'll treasure forever!



San Antonio Missions Tour Tuesday, October 26

11:00 a.m. – 5:00 p.m.

See the rich history of San Antonio through a guided tour of four mission sites: Mission San Jose, Mission Concepcion, Mission San Juan, and Mission Espada, all dating back to the early 1800s. A nearby lunch will be included, and the group will return just in time for a night of fun with the Closing Party, themed Deep in the Heart of Texas.



On the registration form, select the package or packages that best fit your plans, and include the appropriate fees with your convention registration.

Thank You...

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ELFA Executive Committee Holds Summer Meeting

THE EXECUTIVE COMMITTEE of the ELFA Board met in August in Sonoma, California, under the leadership of Board Chair Kris Snow. The Committee, which is the association's primary management body, meets three times annually to assess the strengths and weaknesses of the association and make decisions regarding programming, policy and budget priorities covering the near and long term.

This was the first in-person meeting of the Committee since March 2020. During the meeting, ELFA leaders discussed the state of the equipment finance industry and deliberated over a number of high-priority items focusing on the strategic direction

of the association and the ultimate goal of ensuring that ELFA programs, products and services are responsive and continue to deliver value to members.

ELFA President and CEO Ralph Petta reported that the association is in good standing in 2021, with solid membership renewal/recruitment and event participation. The committee reviewed program updates in the areas of membership, business and professional development, public policy, research and industry information, and communications. In addition, they discussed plans for the 2021 ELFA Annual Convention, which is scheduled to take place in-person and virtually on Oct. 24-26 in San Antonio, Texas.

Ask a Leader

DON'T MISS the Emerging Talent Advisory Council's latest "Ask a Leader" interviews featuring a diverse group of ELFA members. The leaders discuss their formative professional years, their successes and challenges and their advice for future leaders in the industry. Check out recent conversations with:



Troy Graziani, Director of Credit & Customer Experience, Toyota Industries Commercial Finance, Inc



Sherrie Kalajian, Senior Director – Syndications, Presidio Technology Capital

Read the interviews at www.elfaonline.org/industry-topics/emerging-talent/ask-a-leader.

Announcing the ELFA Engage App Contest Winner!

CONGRATS TO Kris Dobrowski, Commercial Finance Manager at Priority One Financial Services, Inc., who was randomly selected as the winner of the June ELFA Engage mobile app contest. Kris and other ELFA members posted messages of support for Pride Month on the app. As our winner, Kris picked up some ELFA swag and became a member of the #ELFamugclub. Thank you to everyone who participated. Get ready for our next contest, coming in October! Download the app today at www.elfaonline.org/app.



Dues Renewal Season is Around the Corner!

Key Dates to Remember....

- **Nov. 15, 2021** – 2022 ELFA membership dues invoices emailed to Key Contacts
- **Dec. 31, 2021** – Deadline to pay 2022 dues
- **THROUGHOUT 2022** – Take advantage of ELFA's many benefits!

Contact membership@elfaonline.org to learn more about the resources available to all ELFA members.

Join the Innovation Roundtable on Nov. 18

FORWARD-THINKING equipment finance leaders are actively seeking the next breakthrough. Find out what's on the mind of your peers, share ideas and discover new approaches for tackling business challenges at the Innovation Roundtable on Nov. 18. This virtual event will be hosted by ELFA's Technology Innovation Working Group and Deb Reuben of TomorrowZone. Learn more at www.elfaonline.org/events.



Visconage Joins the Foundation

CHARLIE VISCONAGE has joined the Equipment Leasing & Finance Foundation as Director of Marketing, Communications and Development. Charlie will be responsible for developing and executing the Foundation's communication and marketing strategy and implementing digital engagement campaigns to promote and enhance the organization's growth, visibility and impact. Charlie is a seasoned marketing and communications professional with over 10 years of experience in for-profit and non-profit organizations. His previous work experience includes positions in education, healthcare and aviation non-profits executing marketing strategies and campaigns, email marketing, podcast and video production and copywriting.



Tech Innovation Winner Announced

CONGRATULATIONS to Chicago Freight Car Leasing Co., a Sasser Family Company, the recipient of ELFA's 2021 Operations and Technology Excellence Award. Their award-winning project was showcased during ELFA's Operations and Technology Conference LIVE! on Sept. 14. Learn more about the winning project on page 30.



Membership Minute

Check Out the **NEW** Communications Preferences in Your ELFA Profile

Designate your communication preferences within your ELFA profile to customize the type of information you would like to receive. Communications including announcements for ELFA conferences, the ELFA Engage mobile app, advocacy newsletters and ELFA research may be selected within each individual profile. You may do this by logging on to the ELFA website at www.elfaonline.org, clicking on **Account Tools** in the upper right corner and selecting **Update Communication Preferences**. Please verify that **Exclude All Email** is not selected to ensure delivery of timely information in your inbox. Contact membership@elfaonline.org with questions.

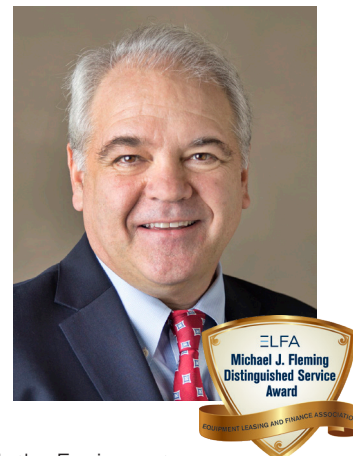
Ware to Receive Distinguished Service Award

ELFA HAS SELECTED Thomas E. Ware to receive its 2021 Michael J. Fleming Distinguished Service Award. The award honors individuals who have made significant contributions to the association and the equipment finance industry. Tom will be recognized at the 60th ELFA Annual Convention in October. He is President of Tom Ware Advisory Services LLC, and was for 18 years Senior Vice President, Analytics & Product Development at PayNet.

Tom has been an active member of ELFA for many years, contributing to the mission of the association in a number of key areas. As an expert on small business credit and leveraging data and analytics for the commercial finance industry, he is a long-time member of the Credit & Collections Committee and a past member of the Small Ticket Business Council Steering Committee. He has been a champion of the

association's business and professional development programs, helping to plan numerous events and serving as a regular conference speaker and facilitator. In addition, he is a frequent contributor to industry publications.

Tom also is active with the Equipment Leasing & Finance Foundation. He is currently a member of the Foundation's Board of Trustees and Executive Committee and Chair of the Research Committee. Most recently, he spearheaded the design and analysis of the Foundation's COVID Impact and Recovery Survey.



Try Out the Interactive SEFA Dashboard

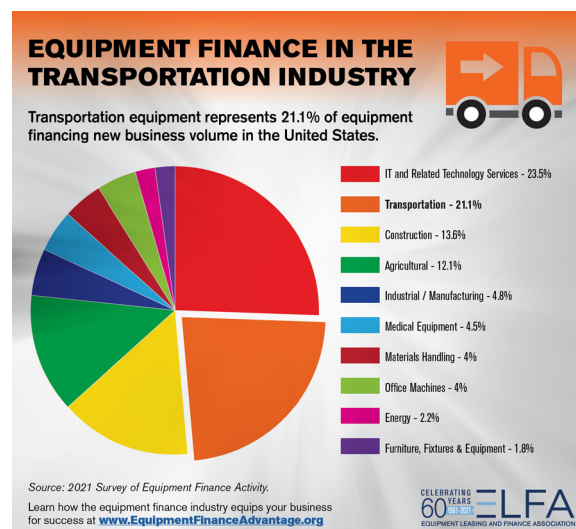
THE INTERACTIVE SEFA DASHBOARD has been updated and is full of cutting-edge industry data. This free tool—which is only available to ELFA members—allows you to quickly and easily connect to a decade of critical statistics from the Survey of Equipment Finance Activity. In just a few clicks, you can segment the data by year, type of organization, market segment, size of organization and business model. It's easy to select categories, add filters and drill down into specific information.

- Benchmark your company against others in the industry
- Find your own insights and identify trends
- Uncover new business opportunities and more.

Visit the Dashboard at www.elfaonline.org/InteractiveSEFA.

New Fact Sheets Highlight Vertical Markets

EVER WONDER how prevalent equipment financing is in a particular industry? As part of ELFA's campaign to promote equipment finance, the association has released a series of fact sheets that reveal equipment finance statistics and facts for 10 industries. View details on the association's end-user website, www.equipmentfinanceadvantage.org/.



Spotlight on Mentoring

IF A STRUCTURED MENTORING PROGRAM DOESN'T EXIST WITHIN YOUR WORKPLACE, have you considered proactively creating a mentorship relationship with someone you respect and admire? ELFA's Emerging Talent Advisory Council is pleased to present "[Mentorship: How to Build a Successful Mentor Relationship](#)," the newest addition to their career development series on the ELFA website. Note: The ELFA Women's Council recently launched a pilot mentoring program—contact Amy Vogt at avogt@elfaonline.org to learn more.

Access Popular Webinar Recordings

IF YOU MISSED A RECENT ELFA WEBINAR, we've got you covered! You can access the recording and slides from more than 30 webinars presented over the past year at www.elfaonline.org/events/elearning/web-seminars. From "The Future of Remote Work" to "eSigning and eLeasing: What Do You Want to Know?," stay up-to-date with the latest industry trends by listening to these one-hour presentations from industry experts.

Enter the October Mobile App Challenge!



SNAP A PHOTO toasting the association's 60th anniversary in front of the ELFA selfie wall (located at the ELFA booth) during the 60th ELFA Annual Convention. Submissions posted in the **Engage Wall** of the ELFA Engage mobile app from Oct 24-30 will be eligible to win a \$50 Amazon gift card. Click the pencil sign in the top-right corner to post and get started and don't forget to use the hashtag **#ELFAConvention** in your post. Two winners will be chosen! Learn more at www.elfaonline.org/app and contact Julie Benson at jbenson@elfaonline.org with questions.

Member Recruitment Honors

CONGRATULATIONS to the 2021 Captive & Vendor Finance Business Council Steering Committee for winning ELFA's spring new member recruitment contest! The committee recruited more members on a percentage basis than any other BCSC in the spring timeframe and ELFA thanks the [members of the committee](#) for their efforts! If you know of a company that would benefit from ELFA membership, please email Julie Benson at jbenson@elfaonline.org.

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A Commitment to Industry and Community

On ELFA's 60th anniversary, a 40-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 Dave Walton, President of Caterpillar Financial Services Corporation, which is celebrating 40 years as a member of ELFA. See the other Q&As in this series at www.elfaonline.org/milestone-interviews.



Dave Walton



to our customers, dealers and Caterpillar as we have for 40 years.

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

A Cat Financial is one of the largest equipment finance companies in the world. As such, we believe the equipment finance industry is something that requires our commitment. We benefit greatly from the relationships we build at ELFA and the resources that ELFA provides. Our ELFA membership offers our employees a sense of community.

As a captive finance company, we're proud to be part of the Cat® family and have a role in helping Caterpillar grow profitably. At the same time, we are part of a broader industry filled with impressive professionals and leaders building companies using the same principles we use to run our business. It's definitely beneficial for us to join our industry peers in ELFA.

Q 2021 marks Cat Financial's 40th year as an ELFA member. To what do you attribute your company's longevity in the marketplace?

A As Caterpillar's finance company, we're here to help our customers succeed with financial solutions. We're closely aligned with Caterpillar and have been fortunate to grow our business as Caterpillar grows around the world. At Cat Financial, we have the desire to continuously improve our products and services to meet our customers' and our dealers' expectations and stay ahead of the competition as it changes. We are adapting and evolving to be the best partner

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 One way the industry has evolved can be seen in our suite of products. Providing customers with financing isn't enough. We need to provide additional services that support their

equipment, making it affordable and easy to acquire. At Cat Financial, we work with our dealers and Caterpillar business partners to arrange for extended protection and preventive maintenance contracts. Our continued focus on making it easy to do business with us has kept pace with customers' expectations and their personal preferences.

Transaction time is another example. When I started with Cat Financial, it was considered a bold goal to commit to returning a credit decision within two days. Within the last five years, our expectation was to do it in one hour or less. We have continued to tighten that window because our customers expect expedited services. They are accustomed to getting things done quickly in their personal lives, so we must meet those expectations in ways that weren't possible or considered necessary a few years ago.

Trying to predict the future is futile, but I think it's about adhering to some key principles: understanding your customers and their business, leveraging the capabilities you have, cultivating a great customer experience and having the financial strength to take chances and continuously innovate. There are always ways to improve—that's what I expect from Cat Financial and from the industry to remain relevant to our customers' future success. ■■■

It's definitely beneficial for us to join our industry peers in ELFA."

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.

2021



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JON GERSON, President
Executive Solutions for Leasing and
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5 Minutes with the Service Provider Chair

WHAT'S HAPPENING in the service provider sector of the equipment finance space? *Equipment Leasing & Finance* magazine caught up with Jon Gerson, Chair of the Service Providers Business Council Steering Committee (BCSC), to take the pulse of this sector. Gerson, President of Executive Solutions for Leasing and Finance, Inc., is currently serving his first year as Chair of the committee, which is composed of a diverse mix of industry specialists who provide a variety of services to the members of the other four Business Councils.

From your perspective, what hot topics is the Service Provider sector focused on this year?

I'm very excited by what the SPBCSC has accomplished in this challenging year, and proud of how our members are responding to the ongoing challenge of the pandemic. Across all segments of the Service Provider community, they have worked hard to respond to and help their clients adapt to the pandemic, providing tools to handle remote work, remote selling, adjustments to risk and forecasting, legal support and countless other areas.

To that end, the committee has put together two webinars, "The Future of Remote Work" and "Technology & Digitalization." Both received more than 60 attendees and are available to stream on the ELFA website at <https://www.elfaonline.org/events/elearning/web-seminars>.

We're also pleased to be sending out a survey to the broader ELFA membership, building on a project

the committee did in the mid aughts, so that we can get an idea of what the membership is looking for in terms of service and support. Since this is a multi-year project, we're hoping to build a data set that assists service providers across the community and that stays current with the changing times, including COVID. Please keep an eye out for it and be sure to fill it out.

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

We have always viewed ELFA as an essential and valuable guide and contributor to our industry. Like most volunteer organizations, you get out of it what you put into it. I believe I first joined the BCSC in 2015, and this is my fifth (nonconsecutive) year and first as Chair. I have also volunteered with the Membership Committee and Emerging Talent Advisory Council. I strongly recommend getting involved—it's a great way to network and meet people you might not otherwise meet, support your peers as their representative and, most of all, support the industry. ☰



About the BCSCs

The BCSCs represent ELFA's five key business segments: Captive and Vendor Finance, Bank, Independent, Service Provider and Small Ticket. Learn more at www.elfaonline.org/BCSCs. Interested in joining? Contact Ed Rosen at erosen@elfaonline.org.

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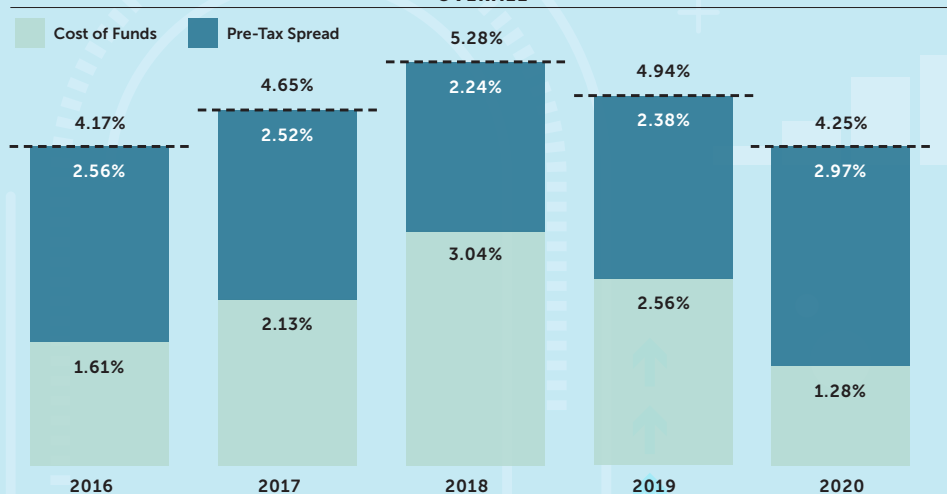
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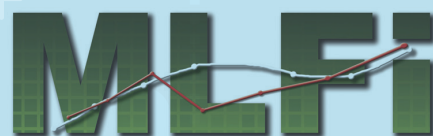
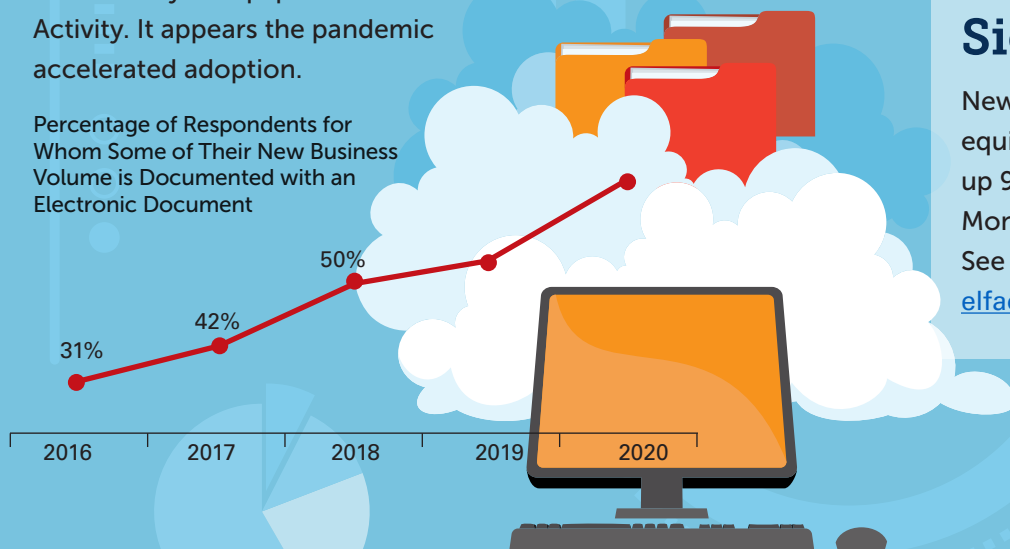
Is Margin Compression on the Decline?

Margin compression declined in 2020 for the second straight year. Pre-tax spreads continue to decline, according to the new SEFA Interactive Dashboard, available to ELFA members at www.elfaonline.org/interactiveSEFA.

E-Docs Surge During Pandemic

A growing number of industry professionals are reporting that at least some of their new business volume is funded with an electronic document, according to the 2021 Survey of Equipment Finance Activity. It appears the pandemic accelerated adoption.

Percentage of Respondents for Whom Some of Their New Business Volume is Documented with an Electronic Document



Monthly Leasing and Finance Index Products

Signs of Strength

New business volume in the equipment finance industry was up 9% in July, according to the Monthly Leasing & Finance Index. See the latest data at www.elfaonline.org/data/mlfi.



Staffing Levels on the Rise

Staffing levels across the industry are up. By 2022, two-thirds of small-ticket lenders/lessors expect a double-digit increase in the number of FTEs. Middle-ticket lenders expect a 7% increase, large-ticket expect a 5% increase, banks and independents a 10% increase and captives a 3% increase.

Source: [Second Quarterly COVID-19 Impact and Recovery Survey](#)



Majority of Verticals Expanding

In September of 2021, eight of the industry's vertical markets showed signs of accelerating, with only four peaking or slowing. The best performing verticals in September were Construction, Materials Handling, Mining & Oilfield and Software.

Source: [September Momentum Monitor](#)

Funding Catches a Wave

By Susan L. Hodges



An ocean of liquidity has sellers surfing and buyers swimming against the tide.

RICARDO “RICKY” RIOS DESCRIBES THE CURRENT STATE OF FUNDING in a single word. “It’s opportunistic,” says the COO of Commercial Equipment Finance, Inc., an Independent that originates transactions and funds them on balance sheet and through a variety of borrowing and syndication arrangements. Funding is a top issue for Independents and, as Rios says, “Low interest rates are allowing us as an industry to access sources of capital we wouldn’t have otherwise considered, such as new bank facilities and securitization.”

He also notes that low rates are causing an increase in payoffs at his company, and that it’s too early to tell if this will lead to a corresponding rise in refinancing. “But we’re seeing a large amount of liquidity in the system and a big focus on economic growth,” he says. “In 2020, everyone was putting the brakes on buying transactions, even though there was great interest from companies that don’t originate. This year, a lot of buyers are looking to purchase portfolios.”

The scenario is different at First American Equipment Finance, an RBC/City National Company. Mike Clune, Director of Capital Markets, says that in his experience, changing buyer patterns coming off 2020, consolidation and extreme competition are the primary forces shaping the 2021 funding environment. “We’ve seen a decent amount of buyers changing their focus after COVID, as well as consolidation over the past few years, mostly by banks,” he says. “This means, for example, we could have two funding sources turning into one, and we’re waiting to see what comes of it.”

At the same time, Clune says the buy side of capital markets is the toughest he has seen in years. “We’re focusing on pockets where we can provide the most value, and we’ve still been able to buy meaningful business this year,” he observes. “But unlike last year, the economic outlook has improved, and now there’s a high demand for transactions. For buyers, it’s incredibly competitive.”

Bob Blee, Global Capital Markets Leader at GE Healthcare Financial Services, sums up the situation: “Specific to the U.S. and capital markets, it’s a seller’s market, and there’s strong liquidity for purchasing both investment-grade and non-investment grade transactions. We’ve seen banks become more aggressive in their underwriting and more flexible on terms and

conditions. This should continue as the U.S. economy expands through this year and into 2022.”

Scott Kiley concurs. As Capital Markets Leader at Fifth Third Bank, Kiley oversees syndications and indirect originations, or buying from institutions. He also works with the bank’s leasing group, which does business with Independent equipment finance companies. “After the COVID-19 disruptions, there’s still plenty of liquidity in our space if you have a good equipment lease or loan that needs to be syndicated,” he says. “But corporations aren’t borrowing as much as usual or doing separate equipment-purchasing transactions, and because of that, demand for transactions outweighs supply. As a result, pricing gets competitive and interest rates become aggressive.”

A Fragile Buoyancy

Despite a primed market and waves of activity, then, winds are blowing that could toss both buyers and sellers off their boards. One such squall is continuing disruptions to global and domestic supply chains. Blee says the resulting delays in equipment deliveries “have been a chronic problem for equipment finance companies this year,” and Kiley agrees, noting that companies’ finance volume “is reliant on those deliveries.”



“We’ve seen a decent amount of buyers changing their focus after COVID.”

MIKE CLUNE
First American Equipment Finance,
an RBC/City National Company



"We've seen banks become more aggressive in their underwriting and more flexible on terms and conditions."

BOB BLEE
GE Healthcare Financial Services

Industry analysts expect many supply-chain issues to diminish toward the end of this year—but the shortage of microchips probably won't be one of them. The boom in personal-computer sales during the pandemic has made chips in such short supply that the Institute of Electrical and Electronics Engineers says, "It could take much of 2022 for the chips [made in late 2021] to work their way through the supply chain to products." To that end, Kiley says production on all Class 8 trucks "cannot meet current demand for the remainder of this year," and several car manufacturers are reporting the same. Thus, customers who order vehicles now may not see delivery until sometime next year.

There is an upside to the situation, however: Some manufacturers are now looking to place more reliance on U.S. suppliers. A 2021 report on the state of North American manufacturing by Thomasnet.com, an industrial sourcing platform, says 83% of manufacturers indicate they are likely to "reshore" parts of their supply chains, compared to 54% in 2020. Says Kiley, "We're seeing this already in the increased demand for manufacturing equipment, forklifts and material-handling equipment."

Other tempests threatening U.S. economic growth and thus, funding, include variants of COVID-19, which if unchecked could erode the recovery made to date. Additionally the growth of inflation, which hit 5.4% in July, could cause the Federal Reserve to take more aggressive action on interest rates and taper its asset purchases, reducing liquidity. For now, though, Blee

points to banks' need to grow assets, which results in fewer deals in the secondary market. Says Blee, "Fewer transactions have intensified the competition among buyers."

Cost of Funds Floats Low, But...

Low interest rates help keep the cost of funds low, and Clune says the biggest driver of rates now is funding's competitive environment. "It's natural for buy-sides to want growth, and we noticed in the 2020 market, which came off strong for buyers, there was more commercial paper to be bought than we expected," he says. "But when you get to the budgeting stage, hoping to grow purchases the following year and the dynamic flips, that's really tough, because you don't want to grow at the detriment of profitability and margins. It's all a balance of maintaining volume versus maintaining yield, and that's a healthy discussion for every funding source every year."

Yet, Kiley says that for both buyers and sellers, spread compression is exactly what's happening. "An acceptable spread over the swap rate can go lower because of the alternatives banks have with their excess liquidity," he explains. "And since banks have to deploy that liquidity, we can be willing to live with a lower spread, just to have a particular asset on the books."

Islands of Opportunity

Nevertheless, those who spoke about funding for this story are solidly optimistic. From a geographic perspective, Rios says Texas and Colorado are undergoing considerable economic expansion, due in part to the migratory trend from California. "And as for industry segments, we think housing needs and the pending infrastructure bill in Congress will make for a very liquid construction market for the next two to three years," he says.

Clune believes liquidity for lessors is ample and that customers are starting to take advantage. "Now that the outlook is a bit more certain, it seems reasonable to expect pent-up spending," he posits. "All the data points I've examined indicate that there will be a good amount of capital spending over the next six to 12 months."

Blee describes the funding environment for healthcare as "full steam ahead," and Kiley feels similarly about the overall situation. "When we look at the Independents we serve through banking channels,



"Private equity groups, hedge funds, corporations and family offices are more interested this year in investing in the equipment-loan asset class."

SCOTT KILEY
Fifth Third Bank

we see they have good access to lines of credit and non-recourse debt funding, and that conditions are fairly robust for solid middle-market investment grade credits," he says. But at the same time, he says the amount of liquidity lessens for transactions further down on the credit curve. "In the middle-market sub-investment space, for example, buyers are more selective, and there are fewer of them," he clarifies. "But there's a home for every deal. You just have to work harder to find it."

Fifth Third originates large equipment loans and facilities for clients, and Kiley says the bank brings in funding partners to manage its credit or asset exposures. "There's typically a partner we can find and an investor who'll help fund those deals in the less-than-stellar credit lines," he says.

Like Rios, however, Kiley sees shifts in alternative funding sources that increase funding availability.

"Private equity groups, hedge funds, corporations and family offices are more interested this year in investing in the equipment-loan asset class," he says. "We've seen several Independent leasing company clients sell a majority interest in, or contemplate offers for, their companies because private equity groups are viewing the industry favorably and want to get into it."

Partnerships Add Balance

At the same time, Fifth Third maintains solid relationships with unregulated financing companies, and Kiley continues to see more of them entering the marketplace. "As a result," he adds, "we have alternative funding sources when selling non-investment-grade transactions, because unregulated players have more flexibility to invest in these than do banks."

Not surprisingly, funding partnerships are highly valued and sought-after in 2021. As equipment finance companies continue supporting the economic recovery of their customers while hunting for safe ways to grow amid what pundits have called "the pre-post-pandemic," these relationships with trusted buyers and sellers are critical to success.

Clune says funding partnerships at First American Equipment Finance are "stronger than ever, having endured the shock of the pandemic and bounced back




"If you're an Independent with a solid stream of good-quality originations, this is a very good time to be who you are."

RICKY RIOS
Commercial Equipment Finance, Inc.

with consistency and stability." First American supports customers of City National Bank, the Royal Bank of Canada and RBC's investment bank and wealth managers in the U.S. It also has a vendor group buy side and a large direct-originations platform of more than a dozen verticals. "As a result, we see deals ranging from small-business banking to large corporate," he says, adding, "Things were tough for all of us for a while last year. But we got through it and now we're really pleased to have these relationships, and to be

able to continue our originations growth. We value all of our partnerships on both the buy and the sell sides, and it's been a great year so far."

Rios adds positivity for small Independents: "If you're an Independent with a solid stream of good-quality originations, this is a very good time to be who you are," he says.

"The market is primed and active with liquidity, and you have access to a multitude of capital sources that weren't available last year." —Surf's up, everyone! 

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

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A hand holding a smartphone is visible in the lower-left corner. Overlaid on the entire image is a complex network of black dots connected by thin lines, resembling a molecular structure or a data network. The background is a blurred image of a modern building with glass windows.

4 Lessons for Your Next Technology Project

By Gwen Moran

ELFA's 2021 innovation winner asks, "Is there an easier way to do this?" and finds improvements virtually everywhere.

IN TODAY'S COMPETITIVE ENVIRONMENT, companies that don't adapt and innovate will soon find themselves falling behind. Technology is changing virtually every area of business, while best practices in operations and client and employee experience illustrate the power of being agile and improving outdated systems and approaches.

Chicago Freight Car Leasing Co. (CFCL), a Sasser Family Company, is a perfect example of the potential of technology and innovation to drive operational efficiency and growth. The company is the recipient of ELFA's 2021 Operations and Technology Excellence Award (O&TE), which recognizes innovative uses of technology in the equipment finance industry. CFCL is recognized for creating Rail360, a proprietary, web-based application that gives the company unprecedented insight into its fleet of roughly 11,000 railcars.

"Technology alone doesn't solve problems," said Tawnya Stone, Chair of the O&TE Award Subcommittee and Vice President, Strategic Technology at GreatAmerica Financial Services, noting that CFCL's approach to their winning project made them stand out among this year's impressive field of award applicants. "This initiative was created out of a need to solve a problem, incorporating customer needs, creating better flexibility and allowing the organization to scale over time. The fact that CFCL couldn't find a solution, so they built their own so thoughtfully and thoroughly made their technology deployment stand out."

Lessons from a Digital Transformation

Rail360 connects accounting, asset management and customer management software to the new operations application. The system allows the CFCL team to easily see mileage, repairs, assets, leases, customers and real-time equipment tracing data in one place. By combining a number of existing operating systems as well as a public web portal for customer and repair shop access, the company consolidated and streamlined processes from two to three separate applications to one.

"The team took a systemic, thorough approach to this initiative," says Jennifer Martin, Chair of ELFA's Operations & Technology Committee and Vice President, Leasing and Vendor Program Support at Key Equipment Finance. "They were very thoughtful about their strategic vision and how to plan and build for it, while rooting their efforts in client experience."

The process of conceptualizing, developing and deploying Rail360 took nearly five years. Throughout that process, the team learned important lessons about embracing change,

remaining agile and the importance of data and technology. *Equipment Leasing & Finance* magazine asked members of the CFCL team to share lessons learned from their project to help other equipment finance companies pondering changes in operations and/or technology. Read on for some fresh ideas and food for thought for your next technology project.

1 Build Momentum with Small Deployments

CFCL is part of the Sasser Family Companies, a collection of transportation asset leasing services and management organizations. Sasser's information technology (IT) team has always followed "agile methodology," which is a means of making project management and software development more efficient by breaking it up into phases. Even so, it was challenging to move the project along with a series of small deployments instead of building out bigger pieces of the new system and then deploying them for greater impact.

"It's hard to get in the mindset of building something small and getting it out there for the user," says Brock Morrison, Sasser's Chief Information Officer. "We tended to do more of a 'big bang' approach where we would release more functionality at one time."

However, releasing smaller pieces of the system had benefits. First, they were able to build momentum with small success stories, Morrison says. And they could catch opportunities for improvement. For example, by releasing tools related to repairs and operations management early, the company was able to reduce the time it spent calculating rental periods and issuing rental credits to customers, improving overall customer experience.

In addition, a key member of the operations team was nearing retirement. By systematizing the processes that individual from memory, CFCL was able to capture that institutional knowledge and approach to managing customers in the software, says Jay Wilensky, CFCL's Vice President, Accounting & Finance. "A big driver of this focus was getting the knowledge that was in our team's heads—how things worked—into the system," he says.

"It's like that Henry Ford quote, 'If I had asked people what they wanted, they would have said faster horses.' Nobody was envisioning the automobile at that time."



JOSH CHESSER
Chicago Freight Car Leasing Co.,
a Sasser Family Company



2 Test Everything

By deploying small pieces of the overall system, the team was also able to test everything, which was essential to the initiative's success, says Josh Chesser, CFCL's Interim General Manager. Frequent testing allows the team to make changes to software and systems on a smaller scale, reducing the need for new code across the entire system. That duplication or correction of coding is called "technical debt," and can be costly in terms of time and resources.

Even though the testing was being done on a small scale, it was still hard for users to find time in their days to do the testing, Morrison adds. "We actually scheduled working testing sessions that were facilitated. By blocking out the time and making that commitment, we got the feedback we needed."

3 Keep Team Members Engaged and Involved

Throughout the process, CFCL wanted to ensure that the team realized this was a chance to improve systems across the board. That required thinking beyond immediate tasks. "It's like that Henry Ford quote, 'If I had asked people what they wanted, they would have said faster horses.' Nobody was envisioning the automobile at that time," Chesser says. Team leaders encouraged employees to think about how every process and system could be streamlined or improved with software.

"By continuously pushing people and saying, 'Well, isn't that how you do it now? Is there an easier way to do this? Can you do it in bulk?' we found improvements virtually everywhere," he says. These included everything from simplifying processes to adopting digital signature technology to automating repair, accounting and bookkeeping functions. "Everybody who had a keyboard inside of our organization had input into how this software was built."

Another key challenge for the team was that, even as the new system was being developed and deployed incrementally, employees had to use both systems, sometimes entering data into both the legacy system and the new system. "We were operating at one period of time in two different systems simultaneously, which created duplicate work in some cases. But everybody understood that by going through this, it's painful right now, but there's a reward at the end," Chesser says. "From the comments that came through, everyone would do it again."

4 Build on Your Innovation Foundation

Now that the technological infrastructure is in place, the company has a solid foundation on which to build. So, what's next? "To sum it up, in two words: digital business," Morrison says. With the new system, CFCL can use its commercial API to enable customers to integrate with the company directly, instead of manually sharing data back and forth with email or some legacy system. Rail360 enables integration with other platforms to streamline transactions, collect signatures, and otherwise move the business forward, he adds. As new opportunities for innovation offer promise to help the business grow and scale, Rail360 can adapt to integrate with those systems and help the business capitalize on emerging opportunities. [E](#)

GWEN MORAN is a New Jersey-based freelance business and finance writer.

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Award Committee Shines a Spotlight on Two Additional Companies

While Chicago Freight Car Leasing Co., a Sasser Family Company, is the winner of the 2021 Operations and Technology Excellence Award, the award subcommittee is shining a spotlight on two additional award applicants. These “Spotlight” companies—Kwipped and Canon Financial Services—are recognized for strengthening their businesses through technology, operational initiatives, culture-development efforts or a digital client/employee experience.

Kwipped’s APPROVE

After the leadership team at Kwipped decided to expand from being a business-to-business (B2B) equipment rental marketplace to a source of equipment financing, initial results were lukewarm. The team did some research and found out (from an ELFA study) that a majority of equipment (and commercial software) was financed. They also conducted their own survey, which indicated that less than 10% of equipment sellers actively promote financing options. The Kwipped team saw opportunity to leverage technology to integrate financing at Kwipped’s various B2B points of sale. Immediately upon deployment, the company had a 26% increase in financing originations and doubled their number of funded deals. The solution worked so well on the Kwipped marketplace that the company decided to develop a software-as-a-service (SaaS) version called APPROVE, which is available to equipment sellers.

APPROVE’s platform matches customer finance applications with a network of lenders that include a blend of prime, near-prime, and subprime lenders. The platform presents affordable monthly finance payment estimates at every point of sale. An ecommerce plug-in presents monthly payments next to website product sales prices, a digital quoting tool integrates financing payments and applications on every quote, an app link generator creates links to applications populated with equipment and pricing, and a QR code generator can be used on product spec sheets, and showroom and trade show floors to allow buyers to scan and apply on their smartphones. By providing transparent pricing and streamlining the application process, APPROVE is improving customer experience and helping equipment sellers close more business.

“Inserting affordable monthly payment options at every point of sale is a great way to significantly increase financing application originations,” says Robert Preville, founder and CEO of Kwipped. But the team also maintains high levels of customer service, so customers have access to human help when they need it.

Canon Financial Services’ Apollo

Canon Financial Services (CFS) is a subsidiary of Canon USA. In business for almost a half-century, the company leases office equipment and has been at the forefront of the ‘sharing economy,’ where companies pay based on usage. The company’s extensive maintenance program based on machine usage requires access to accurate data, transaction sophistication, and exceptional customer service.

The company’s existing legacy product, which has been in use for more than two decades, wasn’t sufficient to deliver on the company’s value proposition and delivered an antiquated experience. So, CFS began to plan a digital transformation called Apollo using the Odessa platform. Using the rallying cry, “Plan for 20 years, build for 2,” the team kept long-term planning in mind while focusing on the most immediate needs.

“CFS and Odessa have extremely dedicated employees who worked tirelessly for a successful go live,” says Kathy Canum, Senior Vice President of Administration at CFS. “They cared enough about each other, our companies and the go live to work long hours to make it happen.”

Canum says other takeaways the company learned were to ensure that there is sufficient documentation for auditors and to remember that there’s a point that you must “stop planning and start doing,” she says. “Senior management support is also key for this type of project. Keep your customer’s experience at the center of a large change like this. Communication with customers and training must not be overlooked.”

The new platform unifies the business by consolidating Accounting and Servicing on a flexible solution, using a modern database. The effort reduced the tech ecosystem’s complexity and saved money on maintenance. The new solution is scalable and allows team members to build on it themselves. By upgrading the company’s technology, CFS also bolstered its recruitment and retention efforts.



Exploring Tech in

By Diane Johnson

ELFA'S TECHNOLOGY INNOVATION WORKING GROUP is hard at work monitoring technology and innovation trends to help equipment finance industry leaders understand the impacts and opportunities for the future of the industry. The group sponsored the interactive "ELFA Innovation Roundtable: Shifting and Transitioning into a Post Pandemic World," facilitated by Deborah Reuben, CEO and founder of TomorrowZone, in August, the second event from ELFA and TomorrowZone's partnership.

"Technology has provided us a unique and disruptive way to support our employees, our customers and our key stakeholders," said Kris Snow, President, Cisco Systems Capital, in welcoming attendees. "One of my priorities as this year's ELFA Board Chair has been to highlight how technology can be a game changer for the equipment finance industry. I'm really thrilled that as a group, we're taking a leadership role on this issue, looking for the next breakthrough, sharing ideas with each other, and discovering new ways to approach business challenges."

Garland Brooks, Business Enablement & Sales Optimization, Dell Technologies; Jillian Munson, Technology Project Manager, Innovation Finance USA LLC; Rafe Rosato, Chief Innovation Officer, DLL Group; and Tawnya Stone, Vice President, Strategic Technology, GreatAmerica Financial were panelists for the wide-ranging discussion. The highlights below are among the ideas they shared for the equipment finance sector.

Create safe spaces to experiment. Adopting new technologies includes outcomes that may not be successful initially. No one sets out with the intention to fail, but it is essential to create an environment where "it's safe to fail" to foster creative solutions.

Balance security and the customer experience. Cybercriminals are continuously innovating along with

new technological advances. Equipment finance companies are striving to balance measures like multi-factor authentication while providing a frictionless customer experience.

Embrace soft skills. The future of equipment finance isn't only about technology—soft skills matter more than ever. Especially working in a remote world or hybrid environment, companies need teams staffed with people who are creative self-starters.

Beware burnout. Without commuting to and from work locations, many employees working at home have become hyper productive to the point of burnout. Organizations need to figure out how to effectively measure productivity from a distance while encouraging a work/life balance.

Consider innovations at the point of sale. Equipment finance companies are being asked by vendors to facilitate transactions directly with their customers, exposing them to greater risk and potential fraud. In many deals, end-users are doing their research before beginning a transaction, so in addition to sales reps there are multiple points of sale, which equipment finance companies are often not prepared to address, forcing them to disrupt their business models and reinvent themselves.

Cultivate transparency. No matter what transactions they conduct, consumers expect transparency.

a Post-Pandemic World

Instilling transparent measures for the borrower can create better customer relationships and experience.

Analyze customer information.

Collecting data from contracts and other transactions is the tip of the iceberg for expanding your customer base. Taking examples from other industries like insurance for inspiration, equipment finance companies are consuming customer information en masse, understanding behavior and being predictive in how they go after new business.

Benefit from automation. A misperception exists around automation that it is ultimately intended to displace workers. The reality is that it can be used to reinvigorate workers in more productive ways, so hours previously spent on repetitive or mundane tasks can be freed up for more creative, higher payoff activities.

Join the next ELFA Innovation Roundtable on Nov. 18.
Learn more and register at www.elfaonline.org/events.

Keep communications going.

Communication can be a challenge as organizations deploy boundaryless work environments. Turning on the camera during a videoconference, sharing more in emails and scheduling virtual “water cooler time” are some of the ways professionals are fostering communication and collaboration.

“It’s so important to stay aware of what’s going on outside of the four walls of your company, and know what the trends, threats and opportunities are so you can take action,” says Reuben. “I call it ‘collecting and connecting the dots’ to find new, interesting and innovative ways to work and do business.” ☰



DIANE JOHNSON is a Senior Consultant at Four Leaf Public Relations LLC and has been working with the equipment finance sector since 2002.

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Highlights from the 2021 ELFA Credit Manager Survey



WONDERING ABOUT THE current and future state of credit and collections within the equipment finance industry? ELFA's 10th Annual Credit Manager Survey provides key insights into credit and reflects the thoughts and perspectives of executive leadership and credit personnel within the industry. The results are based on feedback from 211 ELFA-member credit, collections and executive management leaders.

The results were presented via an ELFA Wednesday Webinar on Aug. 25 by the members of the 2021 Survey Committee, including Cecile Latouche of Atalaya Leasing, Chris Maudlin of Wintrust Specialty Finance, Scott McCann of Wells Fargo Equipment Finance, Patrick Moore of Equifax, Michael (Mic) Mount of US Bank Equipment Finance, and Kevin P. Prykull of PNC Equipment Finance - retired.

Top takeaways include:

- **Credit Process:** Credit is more involved in all strategy decisions in this year's results, including pricing and volume matters. Increased use of a formal prescreen processes continues, especially for Banks. Assigning formal LGDs to asset classes continues to gain prevalence.
- **Credit Scoring:** Some pullback in threshold approval levels are noted, especially in the \$500K and above category. However, a general increase in the threshold level is noted over the last five years of the survey.
- **Credit Turnaround Time:** Banks have slowed credit decisioning times, while Independents and especially Captives have improved.
- **Collateral Values:** Views on future collateral values appear to be informed by where you sit. Captives are more optimistic and Banks less optimistic.
- **Regulation:** Considerable external regulation remains for Banks, albeit decreasing over the last four years, with modest levels for Captives and Independents. Internal regulation is relatively high for all (Banks, Captives, and Independents).
- **Credit Policy:** Despite expectations, few "permanent" changes were made to Credit Policies due to Covid. However, significant increases in "Controls" were noted and many remain in place. The primary reason for policy changes was to improve portfolio results.
- **Deferrals:** Deferrals due to Covid were significant, approaching 7.5% of earning assets. For smaller firms and portfolios, the level approached nearly 30%!
- **Modifications:** Requests from customers to modify credit or documentation requirements have eased over the last two years but are still at elevated levels from prior years.
- **Default Rates:** There is obvious deterioration in 2020. Continued improvement is forecast in most sectors going forward.
- **Booking Volume:** Expectations rose significantly for all groups and categories.
- **Approval Rates:** Approval rates are down for virtually all survey participants, but an uptick is noted as of late. Approval rates are now back to pre-Pandemic levels.

• Unfavorable Industries do exist:

- o Oil & Gas
- o Retail
- o Metals & Mining
- o Services (restaurants, hotels, etc.)
- o Respondents are mixed on Transportation.

• Lessons Learned: Respondents shared top lessons learned from the pandemic, including:

- o Stay disciplined and diversified.
- o Cash is "KING."
- o Financing of essential equipment is still a good idea.
- o Having flexible and resourceful staffing is essential.

What's Next?

Respondents generally indicated that the economy and the equipment finance industry are coming full circle. They are seeing an increase in business Volume and Originations and improvement in Credit Quality. In addition, industry confidence is rebounding. Equipment finance remains an integral part of the economy, and infrastructure and rebuilding of America post-Pandemic are positive factors.

When asked "What keeps you up at night?" respondents shared the following chief concerns moving forward: Inflation; government-related issues: politics, end of stimulus and levels of national debt; competitors' risk appetites; fraud; and inflated equipment values.

Are we ready for the unexpected events and the inevitable challenges to the credit cycle? Are we managing our portfolios accordingly? Only time will tell!

As Richard Dawson used to remark on Family Feud, "And the survey says!" Stay tuned for next year's survey. If you would like to become active in the 2022 survey, please contact Heather Staverman at ELFA (hstaverman@elfaonline.org) or Kevin P. Prykull (kevin.prykull@gmail.com) for details. Also, save the date for the 2022 Credit & Collections Conference, June 6 – 8 at the Hilton Palacio Del Rio in San Antonio, Texas.

More Information

Access a recording and slide deck from the ELFA Credit Managers Survey webinar—as well as the Collections Managers Survey Webinar—via the ELFA website at <https://www.elfaonline.org/events/elearning/web-seminars>. ☰

KEVIN PRYKULL recently retired from his position at Senior Vice President & Credit Underwriting Executive at PNC Equipment Finance. He is a member of the ELFA Credit & Collections Planning Committee.



5 Takeaways: Reaching Customers

AN INTRODUCTION TO OMNI-CHANNEL MARKETING, ways to build a content marketing strategy and a case study on bringing these elements together were the focus of ELFA's Aug. 19 webinar, "Reaching Your Customer in a Digital World." More than 225 equipment finance professionals attended the hourlong, interactive presentation designed for marketers of all levels of experience to achieve more effective customer interaction.

Brittney Weber, Chair of the ELFA Communications Committee and VP, Direct Marketing Manager Senior, Huntington National Bank, moderated the event with panelists Monica Bruegl, Marketing Consultant; Katy Ellquist, Senior Global Content Strategist & Marketing Consultant, Caterpillar Financial Services Corporation; and Heather S. Friedman, Vice President Corporate Marketing, GreatAmerica Financial Services.

Weber started by thanking the ELFA Communications Committee for convening the webinar. "We've got a great, supportive group of marketing and communication professionals from across the equipment finance industry on the Committee," she said, inviting those who are interested in joining the group to contact ELFA (see details below).

Bruegl kicked off the presentation with an overview of omni-channel marketing, which provides a seamless client experience regardless of the channel (email, banner ad, video) or device (phone, laptop, etc.). When measuring omni-channel marketing ROI, Bruegl noted that improving the client experience is a top priority for companies today, even outranking other priorities such as price. "This really illuminates how the client journey is becoming a competitive playground for all of us," she said.

At the heart of omni-channel marketing is content marketing, which comprises planning, creating and sharing valuable content for a target audience in order to achieve a business goal. Below are five takeaways on the basics of content marketing.

1. Content should solve problems for customers and educate them about services your company offers.

It's essentially all the supporting content beyond a new product release announcement or spec sheet that helps to drive sales. By sharing relevant content, your company can establish itself as an industry authority and build trust with customers.

2. Take a simple, methodical approach to get started. To begin a content marketing program, first get informed. There are dozens of free content marketing resources available online to help you and your team learn best practices and new concepts at any experience level. Create a budget, allocate an amount that works for your business, and increase the investment if desired outcomes are met. Set goals for evaluating each piece of content, such as effectiveness in increasing awareness, lead generation or social media engagement, and report, review and refresh as needed.



ers Through Content Marketing

3. Content should be simple, consistent and creative. The recommended reading level for general marketing content is eighth grade, and keeping it simple can allow your content to be shared with a broader audience and increase your reach. Establish a consistent tone and voice and maintain it to avoid confusing your audience. Don't be afraid to push the envelope on what's acceptable for your industry. Unique content is more memorable and can help you stand out from your competition.

4. Have multiple ways to use information. Ellquist said, "Everyone consumes content differently, so it's really important to have a good variety of ways that you share and repurpose some of the same information. This is a time to put yourself in the customer's shoes and think about what you would want to see."

Content can take a variety of forms, including blogs, whitepapers, ebooks, infographics and videos. Repurpose and take an omni-channel approach for greater visibility. Potential channels include display advertising, social advertising, paid search, email marketing, online forums and employee sharing/engagement.

5. Document your content marketing plan. Fewer than 40% of content marketers have a documented content strategy, so only 35% can demonstrate ROI of their efforts. To track your program, create a content strategy playbook as an overall guide, create and maintain a content calendar to plan

initiatives throughout the year, and document your reporting process to enable analysis of effectiveness and gaps in the program.

In Friedman's discussion of a LinkedIn case study, she provided social media do's and don'ts that included not sending mass spammy messages that show little effort or violate the "connections before transactions" rule.

"You're all in the environment of meeting people, getting to know them and figuring out how and if your company can help them," she said. "If that's your approach in real life, it should also be your approach in the social media realm." The same can be said for a thoughtfully designed and executed omni-channel content marketing strategy.

For a recording of the August 19 webinar and webinar slides, visit <https://www.elfaonline.org/events/elearning/web-seminars/reaching-your-customer-in-a-digital-world>. For information about joining the ELFA Communications Committee, please contact Amy Vogt, VP of Communications & Marketing, at avogt@elfaonline.org.



DIANE JOHNSON is a Senior Consultant at Four Leaf Public Relations LLC and has been working with the equipment finance sector since 2002.



Corporate Diversity and Inclusion Efforts Grow with Data Transparency

STUDIES HAVE CONSISTENTLY SHOWN that increased diversity and inclusion often leads to increased corporate profitability. The demand for diversity is partly driven by the vast body of empirical evidence demonstrating that greater diversity and inclusion efforts lead to better team decision making, work product and results.

Recently, regulators and investors have prodded companies to make voluntary disclosures detailing data in their corporate diversity profiles, including a new U.S. Securities and Exchange Commission (SEC) regulation enacted in August 2020 requiring companies to disclose information about their “human capital resources,” prompted by last year’s nationwide protests over racial discrimination and inequity.

Although a number of public companies have made progress in diversifying their boards, other companies slower to diversify their board membership and executive leadership teams are now faced with increased pressure to move beyond verbal commitments and incremental progress. In fact, litigation is now being leveraged to increase public companies’ commitments to diversity, disclose their diversity data and make significant financial investments in diversity initiatives.

For example, on July 2, 2020, a shareholder derivative suit was filed in the United States District Court for the Northern District of California against 14 members of the board of directors for a large American multinational computer technology corporation (the “Corporation”), as well as against the Corporation itself as a nominal defendant. The complaint (and amendments thereafter) alleged that the Corporation’s failure to appoint racially diverse directors and officers—while simultaneously making public statements avowing a commitment to racial diversity, including, but not limited to, claiming to have a multitude of policies, internal controls and processes designed to ensure diversity

both at the management level and within the board itself—constitutes, among other things, securities fraud.

The complaint further alleges that, as a result, the Corporation’s directors breached their duty of candor and violated federal proxy laws, resulting in irreparable harm and severe financial and reputational damage to the Corporation. To support the claims of irreparable harm suffered as a result of the board’s actions and inactions, the complaint references: (i)

two Congressional inquiries into the lack of diversity on the Corporation’s board; (ii) a 2017 lawsuit filed by the U.S. Department of Labor seeking \$400 million in damages against the Corporation on the grounds that the company purportedly engaged in pay discrimination—specifically, that the Corporation paid Caucasian male employees more than female, African-

American and/or Asian employees with the same job titles, and that the Corporation favored the hiring of Asian employees for technical roles; and (iii) a class-action pay discrimination lawsuit by several female employees against the Corporation.

The complaint further alleged that the defendants “knew of, but failed to disclose, fraudulent business practices at [the Corporation] that put [the Corporation] at material risk—namely, discriminatory hiring and compensation practices” and seeks various relief, including: (i) the resignation of at least three directors prior to the Corporation’s annual meeting; (ii) the Corporation’s nomination of three new director appointees, with the applicants to include two African-American appointees

“While companies often focus their diversity and inclusion efforts at the hiring level, this methodology falls short as the internal promotion system fails to advance diverse individuals over time through corporate ranks.”



and one other minority appointee; (iii) the defendants' return of all 2020 compensation; (iv) a requirement that the Corporation's board receive annual diversity training; (v) the creation of a \$700 million fund to hire, promote and mentor minority workers over the next five years; and (vi) a requirement that the Corporation publish an annual "diversity report."

Similar shareholder derivative suits have since been filed against a U.S. multinational social networking service company and an American multinational wireless technology company, in California federal courts, to name a few. While the Court in two of these lawsuits recently granted motions to dismiss on similar grounds—namely that the respective plaintiffs did not sufficiently demand futility and that the state law claims must be asserted in the Delaware Court of Chancery, with leave to amend the federal claim under Section 14(a) of the Exchange Act—the mere commencement of these actions and the nature of the relief sought therein reflect a growing trend that litigation may now serve as a tool to leverage some degree of corporate change.

Privately held companies will not be held to any lower standard. While companies often focus their diversity and inclusion efforts at the hiring level, this methodology falls short as the internal promotion system fails to advance diverse individuals over time through corporate ranks. One of the many measures

that each company can take to diversify its workforce at every organizational level—and minimize the likelihood of litigation being used as a means to drive that change—is by implementing a proper internal mentorship and sponsorship program. Senior mentors can advise and provide guidance to junior minority employees with similar backgrounds. Having these same senior mentors in a position to sponsor, or advocate for, such employees should necessarily lead to the advancement of diverse talent and, in turn, increased profitability.

The data-driven metrics measuring corporate diversity and inclusion efforts are largely playing out in publicly traded companies at the moment, but the efforts will not stop there. In due course, this required level of transparency will permeate every organization, including privately held companies and nonprofits, and will become the gold standard in establishing how clients, investors and society alike will perceive any organization. ☰



JULIA GAVRILOV is Counsel at Moritt Hock & Hamroff LLP, where she concentrates her practice in equipment leasing, secured finance, asset-based lending and all areas of complex commercial litigation. In addition to her daily practice, she chairs the firm's Women's Initiative program, MHH WINS – Women's Initiative for Navigating Success.

RECONNECT REUNITE

Don't miss the sessions *"Corporate Diversity, Equality and Inclusion: The Realities, Challenges and Goals,"* supported by the ELFA Equality Committee, and *"Back to the Future: Hot Legal Topics for ELFA's 75th Anniversary"* at the 2021 ELFA Annual Convention.

Learn more at www.elfaonline.org/ac.

Thoughts for Captive Finance Lessors: Accounting for Leases

LEADING THE FINANCE FUNCTION for a captive finance company is challenging. Captives exist to enable sales of equipment while providing creative financing solutions to the customer. Accounting for financing transactions arranged by a captive often needs to be viewed in the context of the affiliated vendor entity. Increasingly, customers are looking for risk-sharing solutions for equipment as well as contracts that encompass the use of equipment, service and other deliverables.

Common structures include pay-per-use leases, asset remarketing services and end-of-term activities (i.e., sharing of gains/losses, residual value guarantees and put/call options).

When accounting for transactions involving leases, the captive needs to consider the intersection of revenue recognition and lease accounting with respect to measurement for the sale of equipment, service and other deliverables. Accounting considerations include:

- Allocation of consideration to multiple components of the contract
- Lease classification and measurement
- Transfer of control

Pay-Per-Use Arrangements

Pay-per-use, a common leasing structure with copiers, is increasingly popular in leases involving other types of equipment. Where a customer's revenue is derived from the usage of leased equipment, it is helpful to have rentals aligned to the revenue and cash generated by the usage of the equipment. These structures can involve leases with nominal fixed rentals and variable rentals that are determined based on the usage of the equipment. The calculations of the variable consideration can vary and create all sorts of operational complexity, but ultimately both the lessee and lessor need to properly account for the arrangement.

Further, where the contract with the customer includes an embedded lease and service, captives and affiliated vendors need to consider the revenue recognition implications of the pay-per-use structure in relation to the multiple components in the arrangement.

Increasingly, customers are looking for risk-sharing solutions for equipment.

Below, we'll address (1) allocation of consideration in a multiple component arrangement between an equipment lease and service; and (2) lease accounting for fixed and variable rentals and a recently issued ASU.

For the allocation of consideration between equipment and service, ASC 842-10-15-38 states "a lessor shall allocate... the consideration in the contract to the separate lease and nonlease components using the requirements in 606-10-32-28 through 32-41..." This provides for obtaining the standalone transaction price for each component. The relative fair value of the components of the contract should be used to allocate the consideration paid by the customer to the sales of equipment and services. This example assumes the embedded lease is classified as a sales-type lease.

Another item to consider is the treatment of variable rentals in the context of lease classification. ASC 842 requires that a lessor determine whether a lease should be classified as a sales-type lease or a direct financing lease at lease commencement on the basis of specified classification criteria (842-10-25-2 through 25-3). A lessor is not permitted to estimate most variable payments and must exclude variable payments that are not estimated. Subsequently, those excluded variable payments are recognized entirely as lease income when the changes in facts and circumstances on which those variable payments are based occur. Consequently, the net investment in the lease with variable payments of a certain magnitude that do not depend on a reference index or a rate may be less than the carrying amount of the underlying asset derecognized at lease commencement. As a result, the lessor



recognizes a selling loss at lease commencement ("Day 1 loss") even if the lessor expects the arrangement to be profitable.

The concern raised to the FASB highlighted the issue that recognizing a Day 1 loss for a sales-type lease with variable payments results in reporting results that do not represent the underlying economics of the transaction.

The key update as a result of ASU 2021-05 is the amended paragraph 842-10-25-3A which requires the lessor to classify a lease as an operating lease if classifying as a sales-type or direct financing lease would result in a Day 1 loss.

This amendment essentially reinstates a longstanding practice based on interpretations of ASC 840. ASU 2021-05 is effective for fiscal years beginning after Dec. 15, 2021 for all entities that have adopted ASC 842 and may be applied retrospectively or prospectively.

Repurchase Agreements

In certain circumstances, captive finance entities may arrange lease financing by unaffiliated financial institutions in order to enable equipment sales of the affiliated vendor. Often, the third-party lessor may not be interested in or capable of managing the end-of-term scenarios in a lease, particularly when a lessee returns equipment at the end of the lease. Captive finance entities may provide certain remarketing services or have an agreement with the third party that results in the captive finance entity potentially repurchasing the equipment.

In these situations, captives and affiliated vendors need to be careful not to run afoul with these repurchase/remarketing arrangements, causing them to jeopardize recognition of the sale of the equipment under ASC 606 at the outset of the transaction.

Repurchases may result from call options held by the captive, put options for the third party to sell to the captive, or both. Further, the price for such options may be contractually agreed to be the fair value at the time of the transaction or a fixed price based on the estimated residual value that is determined at inception of the lease.

The overarching question to ask is what is the impact of any put or call option in determining whether the vendor has transferred control in accordance with the repurchase agreement literature in ASC 606-10-55-66-77. Careful consideration should also be given in analyzing whether other contractual rights or obligations exist that could effectively lead to implicit or in-substance options that prevent control transfer.

These are just a few examples of structures involving leases that are used by captive finance entities. As always, it's very important to first understand what accounting model is applicable to the transaction. And, for captive finance entities, it's usually a good idea to understand what implications, if any, the financing structure will have on the accounting for sales of equipment and service by their affiliated vendors. [E](#)



HERBERT LOHMANN is Global Leasing Controller at GE Healthcare Financial Services and a member of the ELFA Financial Accounting Committee.

RECONNECT REUNITE

Don't miss the session *"Leaving LIBOR Behind: What's Next?"* at the 2021 ELFA Annual Convention. Learn more at www.elfaonline.org/ac.

At Long Last, CFPB Issues Section 1071 Regulations

ELEVEN YEARS AGO, when Dodd-Frank was enacted, the equipment finance industry knew that the impacts of Section 1071, once implemented, would be dramatic. On Sept. 1, the Consumer Financial Protection Bureau (CFPB) finally issued the draft rule, and it's a 900-page Oscar winner.


First, the good news: True leases and trade credit are proposed to be exempt from collection under the rule and financial institutions will not have to provide their data to any member of the public who requests it but can simply refer the public to the CFPB website. On the other side of the coin, the CFPB went well beyond the statutory requirements in many ways.

The CFPB is proposing to require financial institutions to disclose pricing in addition to the statutorily required credit decision data point (approved, denied, incomplete, etc.). The required pricing information would include, as applicable, interest rate, total origination charges, broker fees, initial annual charges, additional cost for merchant cash advances or other sales-based financing, and prepayment penalties. (Interesting question for what that means for the rules about not talking about pricing at ELFA events!)

The CFPB is proposing that financial institutions will have to go well beyond whether or not the business is minority-owned and will be required to collect information about the specific minority group(s) that the

principal owner identifies as. For example, the draft collection form lists Asian as a primary option, but then lists "Asian Indian, Chinese, Filipino, Japanese, Korean, Vietnamese, and Other Asian (Print Race, for example, Cambodian, Hmong, Laotian, Pakistani, Thai, and so on)." But the most striking addition to this requirement is that, if a financial institution has met with one of the applicant's principal owners, the CFPB is proposing to require financial institutions to guess as to their ethnicity. A direct quote from the draft form reads, "Federal law requires us [the financial institution] to report at least one principal owner's ethnicity and race based on visual observation and/or surname."

While it is a positive development that financial




institutions will likely not be required to report on covered transactions with customers that are not classified as small businesses (defined as businesses with annual revenues under \$5 million), it appears that the rule requires reporting on all covered transactions for everyone else regardless of whether the customer

provided any information requested under Section 1071. Put another way, there appears to be no way for your customers to not have their covered transactions reported to the CFPB.

Lastly, ELFA had hoped that the rule would adopt a fundamentally different reporting structure, but the CFPB did not take that approach. Additionally, since it was fairly clear in recent months that the CFPB wasn't intending to adopt our recommended approach, we had hoped that the CFPB would allow the demographic information and other

ELFA encourages all member companies to review the rule and submit your comments to the CFPB.

information that can only come from the customer to be collected after the application was submitted and after the credit decision was made. The CFPB seems to have closed the door on that idea, but, at present, ELFA intends to keep advocating for that approach.

So, what's next? The rule is open to comment for 90 days after it is published in the Federal Register, so comments will be due in early-to-mid-December. ELFA encourages all member companies to review the rule and submit your comments to the CFPB. ELFA will also be commenting, but it is critical that the CFPB hear from as many market participants as possible. This may be the last opportunity to have your voice formally heard, so don't miss the opportunity! 



For more information, contact **ANDY FISHBURN**, ELFA Vice President of Federal Government Relations, at afishburn@elfaonline.org.



ELFA Files Additional Comments to California Commercial Financing Disclosure Regulations

ON AUG. 25, ELFA filed our [most recent comments](#) to the California Department of Financial Protection and Innovation in response to the Department's Aug. 9 modifications to their draft rules implementing SB 1235, the California enhanced financial disclosure law.

These comments, our fifth, were made possible through the considerable work and guidance of the ELFA State Legislative and Regulatory Subcommittee and the ELFA CA Workgroup, subgroups of the ELFA Legal Committee.


SB 1235, which was signed into law in 2018, requires consumer-like disclosures to be made for certain

commercial financing products. ELFA has led the way throughout the regulatory process and our hard-fought-for exemption for true leases continues to be protected. However, there continue to be outstanding issues ELFA believed strongly needed to be addressed, which are highlighted within our comments. Once again ELFA reminded the Department what the sponsors' scope and intent for the legislation truly was: [See this video of Sen. Steve Glazer](#), the bill's sponsor, indicating his desire to exclude the equipment leasing and finance industry from his bill.

Final Rules and Implementation Date

As the rule promulgation process continues, ELFA expects the Department to finalize the regulations by Jan. 1, 2022, at which time the final rules will be sent to the Office of Administrative Law for final approval. Once OAL approves, ELFA predicts lenders will not be required to comply with the disclosure requirements until at least 180 days after final regulations have been adopted, or about June 2022. ELFA will alert and apprise the membership of any changes to the proposed rules and any new information regarding the projected implementation date.

As always, 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 at sriehl@elfaonline.org. [elfaonline.org](#) 



For more information, contact ELFA Vice President of State Government Relations **SCOTT RIEHL** at sriehl@elfaonline.org.



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.
- 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

The Industry Future Council: Your Lens into the Future

SINCE THE MID-80'S, the Foundation's Industry Future Council (IFC) has been a guiding light for the equipment finance industry, helping to steer its course three to five years into the future. The IFC publishes an annual report of its discussions and findings, and this year's results will be shared first at the Foundation's luncheon on Monday, October 25, during the ELFA 60th Annual Convention.



Jeff Jensen

The Foundation partnered with Keybridge to conduct a forward-looking project tentatively titled ***Equipment Finance Strategic Assessment: Industry Recovery in a Post-Pandemic Economy***. IFC members served as the primary focus group and advising team for this project, working independently and in virtual sessions to provide insight and input to guide the foreseeable future of the industry.

I connected with Jeff Jensen, Vice President at Keybridge, to learn more about what's in store from the IFC's findings this year.

CV: From a high level, what's the importance of "futures thinking" and looking ahead for our industry?

JJ: Thinking carefully about emerging trends in the economy and one's industry has long been a critical component of any business's strategic plan, and this has never been more apparent than now, as the economy recovers from an historically deep (and, thankfully, historically short) recession triggered by the pandemic. While some impacts will be temporary, others are likely to be permanent and will require business leaders to adapt quickly in the face of unforeseen changes to fundamental assumptions about how they operate.

Some of the changes we are seeing in the industry, including changing preferences of equipment end-users and their customers, were beginning to emerge even before the pandemic.

Equipment finance industry leaders who were already conducting futures thinking exercises will have a head start at adjusting to the trends identified in the IFC report and will be better equipped to identify new trends that emerge down the road.

CV: What are the implications of this vital work?

JJ: The IFC has long been the industry's lens into the future, providing an early assessment of changes that could, over time, redefine how equipment finance firms operate. This year's report continues that tradition, but the additional analytical structure that underpins this year's report will help industry leaders sift through the noise and zero in on the most important economic, workforce and technology trends that will shape the equipment finance industry over the next five years.

CV: To reveal one of the key areas, what were some important high-level findings around Diversity, Equity and Inclusion in this report?

JJ: Firms, customers and the broader public are increasingly recognizing the business case for increasing diversity, equity and inclusivity. The IFC report references a broad swath of research illustrating how diverse and inclusive firms are more innovative, more profitable and have employees who are more engaged and loyal—leaving them better positioned to recruit and retain talent. However, while the private sector's focus on DEI issues has increased in recent years, progress in many industries has been slow, including the equipment finance industry.

The report emphasizes that to improve DEI in a meaningful way, industry leaders will need to emphasize diversity across management levels (including upper management), expand recruitment channels, and make a concerted effort to reduce conscious and unconscious bias during the recruitment and employee review process—thereby creating a climate that encourages and elevates diverse perspectives in the workplace. Given that an increasing share of Americans (particularly younger Americans) want to work at companies that offer engaging and positive organizational cultures where creativity, innovation and exploration are encouraged, a strong commitment to DEI may become an important differentiator for recruitment and retention efforts.

To learn more about the IFC's key trends and strategic assessment for the industry, join us in person or virtually at the [2021 ELFA Annual Convention](#). You won't want to miss it!

For more information on the IFC and Futures Thinking including a video micro lesson on the subject, please [visit this page on the Foundation's IFC webpage](#).



CHARLIE VISCONAGE is Director of Marketing, Communications and Development for the Equipment Leasing & Finance Foundation.

RECONNECT REUNITE

Don't miss the sessions *"Capital Markets Review: Syndication and Origination in the Digital Age," "Financing the Intersection of the Circular Economy and the ESG Revolution"* and *"Cyber Security – Keeping Your Company Safe"* supported by the Foundation at the 2021 ELFA Annual Convention.

Learn more at www.elfaonline.org/ac.

Optionality Still Matters

A KEY ASPECT of the equipment finance value proposition has always been optionality. *Asset use or asset ownership? Proactive or reactive technology planning & management? Cash down payment or comprehensive financing?* The market landscape has evolved since the beginning of the Covid-19 pandemic, and therefore has challenged us to expand the key levers of optionality to continue delivering for customers.

Role of Speed

What hasn't changed is this: All deals are still not created equal. The distinction between situations that favor either speed or structuring has only widened. Small ticket transactions require speed. Complicated transactions require time and structuring expertise.

With customer needs in mind, Healthcare Financial Services focused on our small ticket "Flow" business. Spearheaded by digital and marketing, we empowered our GE Healthcare industrial colleagues to independently quote financing transactions. This new enablement changed customer turnaround time from approximately 24 hours to an instantaneous response and gave the HFS commercial team about two-and-a-half hours a day back to redeploy into structured transactions.

Decision Point Flexibility

The complexity of financial planning and analysis has increased since the first half of 2020. As macro environments rapidly change and long-term outlooks require frequent modifications, a premium is placed on flexibility during the budgeting process.

For our customers, one of the most important options provided by equipment financing is the ability to acquire equipment today while deferring a return, purchase or renewal option until a later date. There is a bit of a twist. In addition to traditional financing terms of 36 to 72 months, customers have increasingly requested to explore terms between 12 to 36 months; broadening the period for a "permanent" decision.

A Single Payment

Once a customer decides to move forward with a solution, the conversation often quickly transitions to



payment alternatives. In many situations, it is no longer enough to offer a single monthly invoice for equipment financing. In the health care industry, this means widening the scope to include equipment financing, service and software in one single payment. Billing optionality is proving to be an important value driver to reduce complexity.

Closing

Optionality not only matters, it is more important now than ever. To succeed, equipment finance companies need to move at the same speed, if not faster, than our customers to anticipate their needs and deliver options that are new and unique. ☰

JON BIORKMAN is President for Healthcare Financial Services, GE Healthcare (HFS). With employees in more than 20 countries, HFS provides flexible financing solutions for GE Healthcare's global customers to improve their clinical, operational and financial outcomes.

RECONNECT REUNITE

For more content on industry leadership, don't miss the session "The New Leadership Playbook: How to Ignite Performance at Every Level" at the 2021 ELFA Annual Convention.

Learn more at www.elfaonline.org/ac.