

EQUIPMENT Leasing & Finance

JULY | AUGUST | SEPTEMBER 2019

THE MAGAZINE FOR INDUSTRY EXECUTIVES

CRITICAL Operations

Technology is terrific.
But without a vision and strategy
for applying it effectively,
you could do more harm than good.

State of Independents:
Flexible Flyers

Data Dashboard:
2019 Survey of Equipment
Finance Activity

ELFA
EQUIPMENT LEASING AND
FINANCE ASSOCIATION

The Leading **Asset Recovery, Inspection, and Remarketing Service**

- 🔍 Restaurant Equipment
 - 🔍 Automotive Repair Equipment
 - 🔍 Boats (Under 27') and Recreational Watercraft
 - 🔍 Embroidery Equipment
 - 🔍 Fitness Equipment
 - 🔍 Forklifts
 - 🔍 Power Sports Equipment
 - 🔍 Motorhomes
 - 🔍 Warehouse Equipment
 - 🔍 Computers and Peripherals
 - 🔍 Construction Equipment
 - 🔍 Consumer Electronics
 - 🔍 Farm Equipment
 - 🔍 Furniture
 - 🔍 Laser Printers
 - 🔍 Medical Equipment
 - 🔍 3D Printers and Commercial Printing Equipment
 - 🔍 Telecommunications Equipment
 - 🔍 Travel Trailers and Fifth Wheels
 - 🔍 Wide Format Printers
 - 🔍 Failed Franchises
-

www.assetrecoveryservices.com

888.570.1127

Contents

JULY | AUGUST | SEPTEMBER 2019

FEATURES

28 **The State of Independents: Flexible Flyers**

A company's ability to move quickly can be a godsend in any economy. For independent equipment finance firms, agility is not just an advantage; it's a birthright.

By Susan L. Hodges

34 **Data Dashboard**

2019 Survey of Equipment Finance Activity goes interactive.



22

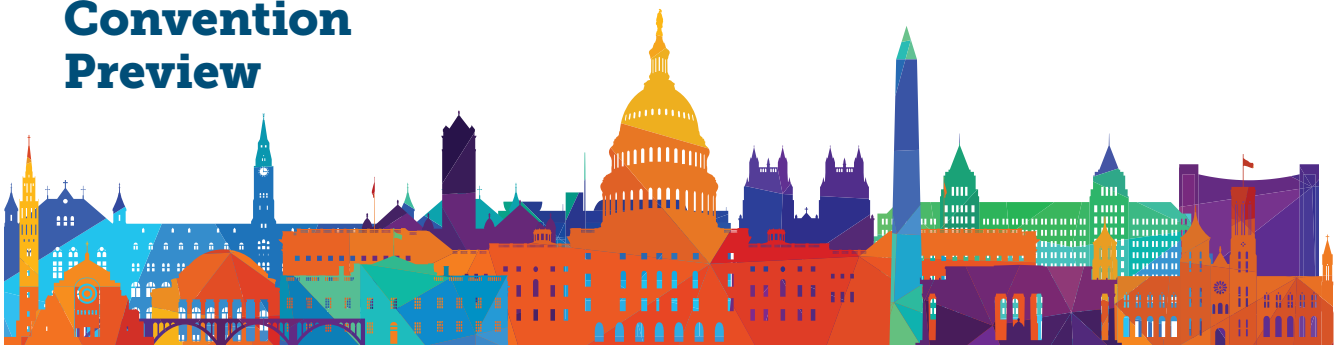
COVER STORY

Critical Operations

Technology is terrific. But without a vision and strategy for applying it effectively, you could do more harm than good.

By Susan L. Hodges

6 **Annual Convention Preview**



Contents

JULY | AUGUST | SEPTEMBER 2019

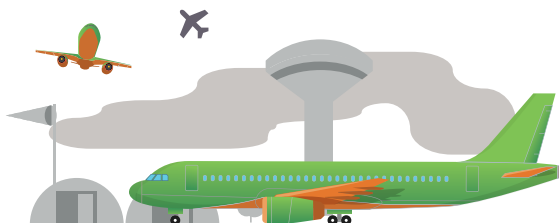
COLUMNS

5 From the President & CEO

Big-picture thinking
By Ralph Petta

36 Leasing Law

Air, rail and marine finance
By Bob Goldberg, Edward Gross,
Marjorie Krumholz and Melissa Kopit



38 Financial Watch

Accounting changes to look out for on the FASB agenda
By Daryl Buck and John Bober

40 Federal Insight

A strong united voice
By Chelsea Neil

42 Around the States

New York legislation targets all commercial financing
By Scott Riehl

DEPARTMENTS

8 ELFA News

A roundup of association events, resources and member news

14 ELFA Leadership 2020

See who's up for election by the ELFA membership

16 Events

Emergence2019 and Legal Forum

18 Business Council Updates

5 minutes with the Small-Ticket Chair

20 Industry Dashboard

The latest ELFA and Foundation data

43 Foundation News

Your summer reading list
By Anneliese DeDiemar

44 ELFA Executive Perspective



Navigating a new normal
By Isaac Flenner

ADVERTISER'S INDEX

ARS Recovery Services LLC Cover Cover 2
www.assetrecovery.com

Capital One Commercial Banking Cover 3
www.capitalone.com

Great American Insurance Group 13
www.GAIG.com/EquipmentInsurance

GreatAmerica Portfolio Services 11
www.greatamerica.com/portfolio

LTi Technology Solutions 4
www.LTiSolutions.com

Odessa Technologies, Inc Cover 4
www.odessainc.com

For more information about advertising in Equipment Leasing & Finance magazine, please contact ELFA Advertising Representative Steve Wafalosky at stevew@larichadv.com or 440.247.1060.

PUBLISHING DIRECTOR Ralph Petta
MANAGING EDITOR Amy Vogt
PRODUCTION DIRECTOR Sandra Winkler
DIGITAL PRODUCER Shirley Bryant
COPY EDITOR Kelly Saxton
ART DIRECTION BonoTom Studio
www.bonotom.com
ADVERTISING Steve Wafalosky
steve@larichadv.com
440-247-1060

Equipment Leasing & Finance Magazine, Vol 35, No 4 (ISSN# 008-058), is published bimonthly (Jan/Feb, Mar/Apr, May/Jun, Jul/Aug/Sep, Oct, Nov/Dec) by the Equipment Leasing and Finance Association, 1625 Eye St NW, Suite 850, Washington, DC 20006. POSTMASTER: Send address changes to Equipment Leasing & Finance Association, 1625 Eye Street NW, Suite 850, Washington, DC 20006. Periodicals postage paid at Washington, DC, and at additional mailing offices.

Statements of fact and opinion are the responsibility of the authors and do not imply an opinion on the part of the officers or members of ELFA. Contact us at EL&F@elfaonline.org.



© Copyright 2019 by the Equipment Leasing and Finance Association. Materials may not be reproduced without written permission.

A subscription for members is free and for nonmembers and libraries is \$200/year.

Printing by Sheridan Printing Co, Hanover, NH

Access our digital edition at www.elfaonline.org/news/magazine



www.twitter.com/ELFAonline



www.facebook.com/ELFApage



www.linkedin.com/groups?gid=89692



www.youtube.com/elfachannel



connect.elfaonline.org

Make better, data-driven decisions

2019 Survey of Equipment Finance Activity

Discover comprehensive performance metrics for over 125 equipment finance companies in the 300-page SEFA and the Small-Ticket companion report. Members save 50%!

NEW!

2019 Survey of Equipment Finance Activity



Interactive SEFA Dashboard

View highlights from over a decade of industry benchmark data. Drill down into specific information in just a few clicks. Free access for members only. **Bonus:** Survey respondents get a personalized MySEFA dashboard!

www.elfaonline.org/SEFA

TAKE THE LEAD



Since 1989, LTI Technology Solutions, formerly LeaseTeam, Inc., has been setting the standard for equipment finance and leasing software solutions.

With over 240 customers worldwide, LTI's ASPIRE platform is the preferred solution for lease and loan management in the equipment finance industry.



**SINGLE SYSTEM/
SINGLE DATABASE**
Provides a comprehensive
view of the entire enterprise



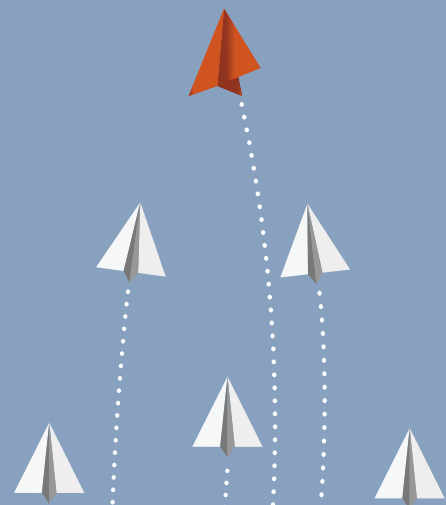
**WEB SERVICE
ARCHITECTURE**
Allows for easy
integrations



**FULLY CONFIGURABLE
AND SCALABLE**
Reduces the need for
customizations



**FLEXIBLE
PLATFORM DESIGN**
Supports an array of portfolio
and ticket sizes, business types,
and financial products.



Big-Picture Thinking



SOMETIMES in the rush to compete in the new digital frontier, it's easy to miss the big picture. Our cover story in this issue reminds us all to take a step back. "Remember, the first step to acquiring technology is not about technology at all. The first step is to identify the business problem you're trying to solve. Once you know that, *then* you start investigating technologies to achieve it," says Andrew Cotter, Chair of the ELFA Operations & Technology Committee.

Starting on page 22, Cotter and other tech experts share sage advice for taking a strategic approach to applying technology to your business.

They also offer a preview of the packed agenda for the **Operations & Technology Conference**, Sept. 16–18 in Chicago. If you're looking to network and discuss critical ideas, trends and IT solutions facing our industry, we hope to see you there!

And, while we're talking technology, do you know that, about a year ago, the association created a high-level committee whose charter is to explore various tech-related initiatives and assess their impact on the broader equipment finance industry? The **Technology Innovation Work Group**, chaired by Deb Reuben, is an executive-level body charged with monitoring and analyzing various digital strategies and techniques—from blockchain to AI to machine learning to autonomous devices—and communicating to ELFA members how these initiatives can help their organizations better serve their customers and bring about operational efficiencies. This group is rolling out a Tech Innovation Leadership Series (see page 9) and more—stay tuned!

A Look at Independents

Another hot topic we examine in this issue is the state of the independent equipment finance sector. According to a new study from the Equipment Leasing & Finance Foundation, it's a good time to be an independent. Hear what members from this sector have to say about the traits that set them apart and the secret to their future success on page 28.

Also, don't miss highlights from the **2019 Survey of Equipment Finance Activity** on page 34. Find out

how independents—and all sectors of our industry—fared over the past year in this comprehensive report. Look at the big picture, and then drill down into the data using new digital tools, including the Interactive SEFA Dashboard and the MySEFA personalized data tool.

Cast Your Ballot

It's time to vote for ELFA's officers and directors for 2020. To participate in this important process, please see page 14. We also encourage you to participate in the Business Council Steering Committee elections. See page 18 for details.

As you can tell, summer is very busy here at ELFA headquarters, 1625 I Street—right around the corner from the big house on 1600 Pennsylvania Avenue! Thank you as always for your continued support and participation. Please don't hesitate to contact us if you have any questions or you'd like to get more involved. ☰

Ralph

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

Get Ready for the ELFA Annual Convention

Watch this brief video at <https://apps.elfaonline.org/events/2019/ac/video.cfm>

and turn the page for Annual Convention highlights.





58th ELFA Annual Convention October 27-29, 2019 Marriott Marquis Washington, DC

Why Attend?

If you're in the equipment finance industry, you can't afford to miss the **2019 ELFA Annual Convention**. This event is the largest and most important annual gathering of leaders in the \$1 trillion equipment finance industry, and this year we are taking this vital force in the economy to our nation's capital, Washington, D.C.!

The vision for the future remains bright, with many equipment finance professionals able to point to real opportunities in a variety of sectors. Come to the ELFA Annual Convention to exchange ideas and share best practices for innovating, winning business and leading in an age of rapid change. We'll also focus on how to prepare for the next generation of equipment finance, from delivering value to customers, to leveraging new technology, to entering new markets. This is the premiere venue to discuss the leading trends, issues and solutions in the equipment finance industry.

When you attend 2019 ELFA Annual Convention, you invest in the success of your business, your staff, your industry and your career. You'll enjoy unparalleled networking opportunities, high-quality educational sessions, a great lineup of keynote speakers and a first-rate exhibit.

Check out the Convention section at ELFA online
for the latest detailed information at

www.elfaonline.org/events/2019/AC/

Schedule of Events

Sunday, October 27

9:00 am – Noon

Jim McGrane Charity Bike Ride and Monument Tour

(pre-registration required, limited to 60 attendees)

10:15 am – 2:15 pm

Odyssey Brunch Cruise and Tour with Docent



(pre-registration required, limited to 150 attendees)

Donors are eligible for a free or discounted pass.

10:00 am – 8:00 pm

Convention Registration

2:00 – 4:00 pm



COMMUNITY LODGINGS

Community Service Project– Community Lodgings

(on property)

(pre-registration required, limited to 60 attendees)

2:00 – 5:00 pm

Exhibitor Set Up

4:30 – 5:30 pm

New Members & Leadership Reception

5:00 – 6:00 pm

Women's Council Reception

6:00 – 8:30 pm

Welcoming Reception

Exhibits Open

Monday, October 28

7:00 a.m. – 4:30 p.m.

Registration Open

7:00 am – 4:00 pm

Exhibits Open

7:00 – 8:15 am

Group Breakfast

8:30 – 10:00 am

Opening General Session

MICHAEL BESCHLOSS

*Nation's Leading Presidential Historian and
Best-Selling Author*

10:00 – Noon

Coffee Break in Exhibit area

11:00 am – 4:00 pm

Spouse/Companion Event

America's First Home–Mount Vernon Tour and Luncheon

Keynote Speakers

10:30 am – 12:00 pm

Breakout Sessions

12:15 – 2:00 pm

Foundation Luncheon

MARCI ROSSELL

Former CNBC Chief Economist and Co-Host of *SQUAWK BOX*



2:00 – 4:00 pm

Coffee Break in Exhibit area

2:30 – 4:00 pm

Breakout Sessions

4:30 – 5:30 pm

International Reception

Evening Free for Private Entertaining and Company-Sponsored Receptions

Tuesday, October 29

7:00 am – 3:00 pm

Registration Open

7:00 am – 3:00 pm

Exhibits Open

7:00 – 8:15 am

Group Breakfast

8:30 – 10:30 am

General Session

JAKE TAPPER

Award-Winning Journalist; Anchor and Chief Washington Correspondent, CNN

10:30 – Noon

Coffee Break in Exhibit area

11:00 am – 12:30 pm

Breakout Sessions

11:00 am – 4:00 pm

Spouse/Companion Event

A Rare Glimpse—Private U.S. Capitol Tour and Luncheon

12:45 – 2:30 pm

NEW!! Community Luncheon for All Attendees

MARK SCHARENBRICH

Author of *Nice Bike and Leadership Expert*

2:30 – 3:00 pm

Coffee Break in Exhibit area

3:00 – 4:30 pm

Breakout Sessions

6:30 – 9:30 pm

Closing Reception & Dinner at the Smithsonian National Museum of American History



MICHAEL BESCHLOSS

Nation's Leading Presidential Historian and Best-Selling Author

Michael Beschloss has been called “the nation’s leading Presidential historian” by *Newsweek*.

He also has the largest Twitter following of any historian on earth. In presentations filled with anecdotes, humor, and stories almost too good to be true, Beschloss gives context to the crucial events of our time. Trained at the Harvard Business School in leadership studies, he offers a look at the leadership that has affected the course of our nation, describing the leadership skills essential to almost every kind of success.



MARCI ROSSELL

Former CNBC Chief Economist and Co-Host of SQUAWK BOX

Marci Rossell electrifies audiences nationwide, speaking on the nexus of economics, politics, culture and the media. Her animated style was honed when she served as the Chief Economist for CNBC. She takes complex economic issues and makes them relevant to people’s lives, families and careers. Prior to her career in broadcast journalism, Rossell served as Corporate Economist and Investment Spokesperson for OppenheimerFunds, one of the nation’s largest mutual fund companies. She began her career as an economist with the Federal Reserve Bank of Dallas.



MARK SCHARENBRICH

Author of Nice Bike and Leadership Expert

Mark Scharenbroich’s comedy path started when he founded a comedy troupe that performed at high schools and colleges. When the group disbanded, he went solo, combining his comedy with leadership training and messages about making connections. He and his wife, Susan, founded Scharenbroich and Associates, a motivational speaking and leadership training video production company. He quickly became known as an expert in developing leaders and transforming the culture of an organization. He is the author of the award-winning book *Nice Bike: Making Meaningful Connections on the Road of Life*.



JAKE TAPPER

Award-Winning Journalist; Anchor and Chief Washington Correspondent, CNN

Jake Tapper is an influential and award-winning American journalist who currently serves as Chief Washington Correspondent for CNN and as the anchor of the network’s weekday television news show “The Lead with Jake Tapper” and the Sunday morning affairs program “State of the Union.” Tapper has been recognized for being a fair and balanced commentator and critic. He comments on daily news, elections and popular culture items and brings an honest, smart and to-the-point reporting style to presentations and panels that breaks down tough issues while getting to the heart of the stories that drive American culture today.

ELFA Board Meets in D.C.

THE ELFA BOARD OF DIRECTORS met May 14 in Washington, D.C., under the leadership of Chairman Jud Snyder. The meeting kicked off a busy couple days of association-related activities, which included the annual Capitol Connections grassroots program and meetings of the association’s Business Council Steering Committees. During the Board meeting, ELFA leaders 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. The Board will meet next in October at the site of the ELFA Annual Convention in Washington, D.C. Its Executive Committee conducts its summer meeting August 4–6.

Build Your Career Roadmap

The Emerging Talent Advisory Council is pleased to introduce a new Career Development section of ELFA’s Emerging Talent webpage. Visit the page today at www.elfaonline.org/emerging-talent-careers to access:

- **Career Mapping Series** – Tips for setting goals and priorities to determine your career roadmap as well as discuss your future with leadership
- **Industry Forecast: Cloudy, with a Chance of Millennials** – Highlights from a panel discussion at the ELFA Annual Convention on attracting and retaining emerging talent
- **Ask a Leader Interview Series** – Conversations with established leaders with a diverse range of backgrounds and experience in equipment finance
- **Networking** – Tips for building relationships.

Career Mapping Series

We all need motivation...something that keeps us engaged. Setting goals can help!

Without goals, a career becomes just a job—BORING!! Who wants a lukewarm refill of yesterday's same-old-same? Not to mention, how can you expect to take over the world without goals?

Goals do not have to be an uber-complicated algorithm for success. They can lead to more complicated things, but start small and use them as building blocks. Map out a few easy things that you want to improve upon:

- Learning a new skill
- Finding a mentor
- Building your network

Revisit your goals often. Hold yourself accountable, build on good ideas and scrap bad ones. We have all been there—we set out to do something fantastic only to get distracted with the million things thrown at us, causing us to miss deadlines or fall short of delivering on multiple projects.

Now that you have goals, you need to set priorities. Define their importance and assess their benefit and time commitment. This will help you balance your personal and professional goals and stay on track.

Step 1: Determine your goals and set some priorities

By Corinne Brooks, Business Enablement & Sales Optimization, Dell EMC/Dell Financial Services; Contributor: Mike Maravolo, Sr. Manager, Marketing, Oracle; First Financial & Equity Latham-Bart, HR Business Partner at Dell; Editor: Alexander Drummen, Sales Coordinator 2, AEP, Transportation Equipment Finance.

This resource is part of the Career Development series developed by the ELFA Emerging Talent Advisory Council. Learn more at www.elfaonline.org/elfa-emerging-talent-careers

Calling All Future Leaders!

THE JULY EMERGING TALENT NETWORKING EVENT in Washington, D.C., drew more than 70 attendees from more than 35 member companies. Attendees had the opportunity to make new connections and strengthen existing relationships and many continued the networking with dinner afterward. The event was sponsored by GSG Financial and the Emerging Talent Advisory Council (ETAC), whose mission is to encourage industry employees to get involved in ELFA earlier in their careers and to attract the best and brightest to the industry.

Your next chance to attend a networking event is Sept. 16 at the Hilton Chicago. Come hear from some of the industry’s best, followed by an opportunity to network with them and your peers. If you’re an ELFA member, we hope you’ll join us! The event will kick off with a meet and greet, after which attendees will enjoy roundtable discussions with industry executives, followed by a networking reception. To register, go to www.elfaonline.org/events. There is no cost to attend but space is limited. This event is sponsored by ETAC and Orion.

Operations & Technology Conference and Exhibition: Register Today

THE OPERATIONS & TECHNOLOGY CONFERENCE AND EXHIBITION, Sept. 16–18 at the Hilton Chicago, provides the latest information on technology, software and operation issues that impact equipment finance executives and your clients. This conference will give you the tools to succeed in shifting markets and ever-changing customer desires focused on the theme “The Future Is Here: Do You Have the Tools Necessary?” Get a sneak peek at the content on page 22. For more information and to register, go to www.elfaonline.org/events/2019/OT/.

ELFA Launches Tech Innovation Leadership Series

ARE YOU LOOKING to engage in conversations with industry peers about technology innovation challenges? The ELFA Technology Innovation Work Group is launching a new Technology Innovation Leadership Series for senior leaders of ELFA member companies. The first event will be held August 20 in Minnetonka, Minnesota, and will focus on the customer experience. Join us to consider the possibilities for CX innovation and share ideas, insights and practical approaches for overcoming CX innovation challenges. Learn more and register at www.elfaonline.org/events.

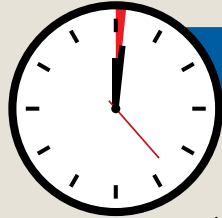
Mark Your Calendar: Lease Accounting Conference

GET READY FOR A PACKED AGENDA at the Lease and Finance Accountants Conference, Sept. 16–18 at the Hilton Chicago. This event provides the most-up-to-date information on accounting issues that impact equipment lessors and your clients. Representatives from the FASB and the IASB will be on hand to discuss the lease accounting standards. For more information and to register, go to www.elfaonline.org/events/2019/LAC/.



Principles Workshop Going Strong

CONGRATULATIONS to the graduating class of ELFA’s June Principles of Equipment Leasing and Finance Workshop, held at the association’s headquarters in D.C. A total of 17 attendees learned the fundamentals of the business over two-and-a-half days from instructor Bob Golden. Topics included the benefits of leasing, the types of lease and finance transactions, fraud detection and prevention and lease accounting. The next workshop will take place Sept. 10–12 in Plano, Texas. To register, go to www.elfaonline.org/POL.



Membership Minute

KEEPING YOUR COMPANY AND INDIVIDUAL PROFILE CURRENT helps ELFA to know you better so we can continue to offer programs and services that fit your needs. Log into the ELFA website, click on Account Tools in the upper right-hand corner and select Update My Information (for individuals) or Update Company Profile (for companies). Only the key contact of a member company may update the company profile. Contact membership@elfaonline.org if you have any questions or if you need assistance.

Marketers Meet

THE ELFA COMMUNICATIONS COMMITTEE met in D.C. recently to talk about a range of issues—from content marketing to maximizing ELFA and Foundation resources.

To learn more about this group of communication and marketing execs, please contact Amy Vogt at avogt@elfaonline.org.





Survey Says...

THE RESEARCH COMMITTEE put the finishing touches on the 2019 Survey of Equipment Finance Activity at their meeting at ELFA headquarters this spring. Learn more about the new report—and the online Interactive SEFA Dashboard and MySEFA tool—on page 34.



PROVIDING OUR CLIENTS WITH THE RIGHT TOOLS

- ▲ Third Party and Backup Servicing
- ▲ Dedicated Client-Centric Team
- ▲ Private Label Contract Service Provider
- ▲ Proven and Secure Platform

877.762.3808

www.greatamerica.com/portfolio

HELPING YOU GET THERE. GREATAMERICA.

Service Providers Recognized

CONGRATULATIONS to the Service Providers Business Council Steering Committee for winning the 2019 Membership Recruitment Contest! The contest recognizes the five Business Councils' efforts to recruit new members on behalf of ELFA. The winners received a coveted ELFA mug and coffee.



Spotlight On: Credit and Collections

THE ELFA CREDIT AND COLLECTIONS MANAGEMENT CONFERENCE & EXHIBITION experienced another year of record-setting attendance when more than 170 senior credit and collections execs, 10 exhibitors and 51 first-time attendees convened in St. Petersburg, Florida, June 3–5. The theme of the conference was “Innovation & Evolution: Digitizing for the Future.” Attendees got up-to-speed on the latest industry strategies, trends and forecasts in credit and collections. Hot topics included regulatory issues currently impacting the industry from both a bank and non-bank perspective, risk management practices that make good business sense and a review of both the credit and collections benchmarking data. Participants enjoyed multiple opportunities to network and discuss industry best practices, including a Senior Management Breakfast and Women’s Council Brunch. Even the hot Florida sun couldn’t slow down this conference!

ELFA Online Course Wins Award

THE FUNDAMENTALS of Equipment Leasing and Finance online training course has earned a Gold Award in the 2018 Horizon Interactive Awards. The award recognizes accomplishments in interactive media developments from all over the world. The overhauled Fundamentals course engages users through an interactive, online interface that provides “virtual” hands-on experience and training in equipment finance. Learn more at www.elfaonline.org/events/fundamentals.

Tax Pros Gather

ELFA'S TAX BEST PRACTICES ROUNDTABLE in Denver, June 11–12, attracted over 40 tax practitioners from ELFA member companies. Attendees focused on recent developments regarding federal and state compliance and planning issues. Highlights included updates on federal and state income tax, sales tax, personal property tax and audit best practices and two special sessions on sales tax considerations with the sale/purchase of a leased-asset portfolio and AI and Robotic Process Automation. Attendees also enjoyed a networking reception sponsored by Ryan, LLC. Many thanks to Karen Lee-Toy and CoBank for hosting this year's event and to Vertex for sponsoring the Roundtable. If you're interested in attending a future roundtable or serving on the Tax Best Practices Roundtable Planning Committee, please contact Scott Riehl at sriehl@elfaonline.org or Alexa Carnibella at acarnibella@elfaonline.org.

Be the Boss with the Fundamentals Online Course

THE FUNDAMENTALS of Equipment Leasing and Finance is designed for those who are new to the equipment finance industry, or as a refresher for those with more experience. You'll “be the boss” at Strategic Equipment Leasing and Finance, Inc. (S.E.L.F.)—navigating through customer interactions, identifying the departments and individuals that should be involved in each step and earning badges and upgrades as you go! From closing the sale to fielding customer requests and reviewing end-of-lease options, you'll experience it all and will receive guided feedback to reinforce learning. For more information, go to www.elfaonline.org/events/fundamentals.

DONE. NEXT!

Fast and easy equipment coverage.



GAIG.com/SpecialtyEquipment

Policies are underwritten by Great American Insurance Company, Great American Assurance Company, and Great American Spirit Insurance Company, authorized insurers in all 50 states and DC. © 2019 Great American Insurance Company, 301 E. Fourth St., Cincinnati, OH 45202. All rights reserved.


GREAT AMERICAN
INSURANCE GROUP

ELFA LEADERSHIP 2020

The ELFA Nominating Committee has named the following individuals to stand for election by the ELFA membership. If elected, all nominees will begin their term of service at the conclusion of the ELFA Annual Convention, Oct. 27-29 in Washington, D.C. Each ELFA regular member company may cast one vote for each nominee. On Aug. 16, voting materials and instructions will be emailed to each member company's key contact, who may then vote via confidential electronic ballot on the ELFA website. The voting will conclude Oct. 9 at 5 p.m. ET.



Kris Snow
Chair-Elect

Kris Snow is President of Cisco Systems Capital Corporation, a wholly owned subsidiary of Cisco Systems, Inc., where she leads the company's global captive finance business and certified remanufactured equipment business. She joined Cisco from CIT Group, Inc. in 2009. She is past Chair of ELFA's Captive and Vendor Finance BCSC. She serves on the Gonzaga University Board of Trustees and is board member emeritus for St. Mary's College School of Economics and Business Administration. She holds a Bachelor of Science degree in mechanical engineering from Gonzaga University and a Master of Business Administration from St. Mary's College of California. Snow was honored by the Computer Reseller News 2019 Women of the Channel list and received the Silicon Valley Business Journal's Women of Influence award and the YWCA Tribute to Women Award for the Silicon Valley.



Bob Neagle
Vice Chair

Bob Neagle is President and General Manager of the Merchant Finance Division of Ascentium Capital LLC, where he is responsible for Ascentium Capital's entry into the payments industry and the general direction of the business and its P&L. He began his career with TriContinental Leasing, later Bell Atlantic Capital, where he was SVP and COO of the commercial equipment finance group. He later joined AT&T Capital where he was SVP of Marketing for the Business Finance unit. He joined First Data Corporation in 2004 where he led the growth of First Data Global Leasing. He served two terms as a Trustee of the Equipment Leasing & Financing Foundation and was a member of the Foundation Research Committee and the Editorial Review board of the Journal of Equipment Leasing and Finance. He has a Ph.D. from Loyola University Chicago.



Deborah Baker
Director

Deb Baker is the Head of Worldwide Leasing and Financing with HP, Inc. and is responsible for driving contractual business growth by establishing an optimized, profitable multi-vendor leasing and financing go-to-market solution. She is a finance veteran with over 20 years' experience supporting captive and vendor financing. Prior to joining HP, she held a variety of positions with Cisco Systems Capital Corporation, HP Financial Services and CIT. She is an active member of the ELFA Women's Council, currently serving as the Council's incoming Chair. In addition, she is on the Editorial Board of The Monitor publication. She holds a BS in Business Administration and an MBA from Fairleigh Dickinson University in Madison, NJ.

2020 OFFICERS



Martha Ahlers
Chair



Jud Snyder
Immediate Past Chair



Kris Snow
Chair-Elect



Maureen Carr
Director

Maureen Carr is Managing Director of Pacific Western Bank's Corporate Asset Finance business. Carr is responsible for all aspects of the Corporate Asset Finance Group, including strategic direction, business development, credit, asset management and operations. She was a senior member of the nine-person group that joined CapitalSource in 2010 from Tygris Asset Finance where she was Senior Vice President and served as Director of Capital Markets. Prior to her tenure with Tygris, she held various positions at RBS Asset Finance, including Director of Capital Markets and Credit Manager. Earlier in her career, Carr worked at Heller Financial in the Commercial Equipment Finance Division as a Senior Credit Analyst. She holds a bachelor's degree in accounting from Marquette University.



Nathan Gibbons
Director

Nate Gibbons is the Chief Operating Officer at Innovation Finance. His focus is on operational design that brings dramatic improvements to the customer experience. He began his leasing career with First American Equipment Finance, where he served as Vice President in the Operations Department before being asked to help develop and manage the company's learning and professional development strategy. He has served on various ELFA committees, including the Emerging Talent Advisory Council (ETAC)—most recently as Chair, the Financial Institutions BCSC (as an ETAC liaison), the Small Ticket BCSC, the Academic Outreach Committee and the LeasePAC Committee. He also serves on the Board of Directors for the Certified Lease & Finance Professional Foundation. He is an avid drummer and volunteers as a mentor to teens and young adults at his local church.



Alan Mogol
Director

Alan Mogol is a shareholder with the law firm of Baker Donelson Bearman Caldwell & Berkowitz, PC, and concentrates his practice on the negotiation, documentation and syndication of equipment finance transactions. He has more than 45 years' experience handling leases and loans involving over-the-road vehicles, corporate aircraft, railroad rolling stock and general equipment. These transactions include tax-motivated leases, TRAC and split-TRAC leases of vehicles, synthetic and other leases for security, and loans supported by equipment collateral. He has assisted more than a dozen national equipment financing companies in developing standard financing and syndication documentation, including the implementation of titling trusts for motor vehicles to facilitate syndication. He is a former member of ELFA's Legal Committee and is a frequent lecturer and author in the equipment finance area.



Thomas Rutherford
Director

Tom Rutherford is President of Crestmark Equipment Finance, the equipment finance and leasing division of Crestmark, a division of MetaBank. He joined Crestmark in 2014 through the acquisition of TIP Capital, a leasing company where he served as COO, and co-founded in 1999. He has 30+ years of experience in sales, marketing and operations, with over 25 years of experience in technology financing. Prior to TIP Capital, he was the Director of Syndications for AT&T Capital Systems Leasing. Rutherford is a long-time member of ELFA and has served on the Independent Middle Market BCSC. He received his undergraduate degree in biology from the University of California—San Diego and an MBA from Wayne State University. He also has held Series 7 and Series 63 Securities licenses



Michael DiCecco
Vice Chair



Bob Neagle
Vice Chair



Rob Boyer
Treasurer



Ralph Petta
President and CEO



Paul Stilp
Secretary



"Ask a Leader" panel

Emerging Talent Convenes for Emergence2019

MORE THAN 65 UP-AND-COMING EMPLOYEES from ELFA member companies gathered in D.C. in July for Emergence2019. The two-day leadership development event provided an opportunity for emerging talent to hear from industry leaders, network with colleagues and learn about the industry from different perspectives. In support of the theme "Think, Act and Empower Like a Leader," the conference included sessions on networking, unconscious bias, communication strategies, mentoring and sponsorship, and the industry outlook. Sponsors included DLL, Key Equipment Finance, Wells Fargo Equipment Finance, Stonebriar Commercial Finance, Stryker Flex Financial, Huntington Equipment Finance and the Emerging Talent Advisory Council. [E](#)



Attendees shared best practices with a "catch box" passable microphone during a Q&A session.



Attorneys Tackle Hot Topics

A TOTAL OF 275 ATTORNEYS gathered at the ELFA Legal Forum, April 28–30 at The Omni San Diego Hotel. Sessions focused on a wide range of hot topics, including blockchain, bankruptcy, privacy, managed/bundled services, renewable energy, tax issues, syndications, e-leasing and cybersecurity. Andrew K. Alper, Vice President and Shareholder with Frandzel Robins Bloom & Csato, L.C., and Marjorie Krumholz, Partner with Thompson Coburn LLP, received the Edward A. Groobert Award for Legal Excellence. . [E](#)



Legal Committee
Chair Mirna Cardona
of Wells Fargo
Equipment Finance



General session



Pictured (L-R): ELFA President and CEO Ralph Petta, Marjorie Krumholz, Andrew Alper and Legal Committee Chair Mirna Cardona



E-leasing and cybersecurity roundtable



Women's Council Reception

5 Minutes with the Small-Ticket Chair



SHANNON STANGL
Chair, Small Ticket BCSC

WHAT'S HAPPENING in the small-ticket sector of the equipment finance space? *Equipment Leasing & Finance* magazine recently talked to Shannon Stangl, Chair of the Small Ticket Business Council Steering Committee (BCSC), to take the pulse of this sector. Stangl, US Country Manager for DLL, is currently serving her first year as Chair of the committee, which engages financial services organizations primarily involved in transactions under \$250,000, either individually or through lines.

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

Automation is changing the shape of our business and the way we interact with our partners. Today our partners and their customers demand speed and simplicity and the same type of experience they get when using their favorite app. Leveraging technology to streamline credit underwriting, portfolio management, communication and funding isn't just a competitive advantage anymore, it is a requirement.

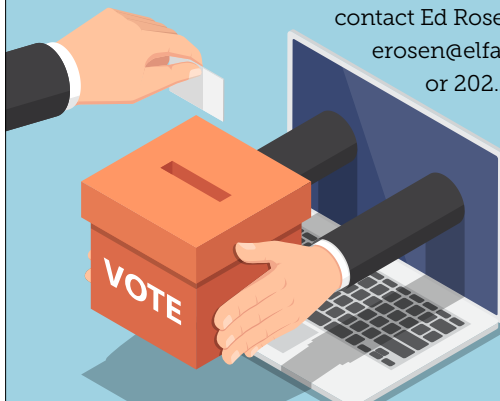
How did you get involved with the BCSC? Would you recommend it to others?

DLL is committed to supporting ELFA and continuing to learn from our peers in the equipment finance industry. So, as a colleague of mine was concluding his tenure as a member of the committee, I was honored to be selected as DLL's representative, and it has proved to be an invaluable resource for me from both a professional development perspective and for industry networking. I can't recommend the BCSC enough! It has been so helpful to have a forum to share best practices, voice concerns and utilize Capital Connections to lobby for change to regulations.

Vote in the BCSC Elections

We encourage your participation in the BCSC elections. Nominations for the five 2020 BCSCs (Captive and Vendor Finance, Financial Institutions, Independent Middle Market, Service Providers and Small Ticket) were accepted through July 30. Voting will take place Sept. 6–24. Find details at www.elfaonline.org/BCSCElections or

contact Ed Rosen at erosen@elfaonline.org or 202.238.3428.



What is the last book you read?

I just finished reading *The Culture Code: The Secrets of Highly Successful Groups* by Daniel Coyle. The author goes inside some of the world's most successful organizations and examines what works and what does not. He highlights trust, collaboration and positivity as key factors in all successful teams. ☰

2019 Software Guide

THE LEADING SOFTWARE SOLUTIONS FOR THE EQUIPMENT FINANCE INDUSTRY.

Find out the latest tools available from the leading companies, including:

- **Alfa Financial Software Inc.:** ALFA Systems
- **Bloomberg Tax Technology:** Bloomberg Tax Leased Assets
- **Cloud Lending, a Q2 Company:** CL Originate, CL Lease, and CL Collections and CLS Lease Xcelerate Program
- **Codix LLC:** iMX
- **Constellation Financing Systems Corp.:** Edge, ASSET, Covarity, Vision Commerce
- **Copernicus-USA, LLC:** Solar, JUKI
- **Crowe LLP:** Crowe Lease Accounting Optimizer
- **Dominion Leasing Software LLC:** LeaseComplete
- **FIS:** Ambit Asset Finance
- **IDS:** InfoLease®, Rapport®, IDScLOUD™
- **IFS Technology Solutions, Inc.:** IFSLeaseWorks
- **Ivory Consulting Corporation:** SuperTRUMP, SuperTRUMP Portfolio Intelligence, Asset Management Solution
- **Leasepath:** Leasepath
- **Linedata Lending and Leasing:** Linedata Capitalstream and Linedata Ekip360
- **LTi Technology Solutions:** ASPIRE
- **NETSOL Technologies:** NFS Ascent, NFS Digital
- **Odessa:** LeaseWave
- **Orion First Financial, LLC:** Orion First Portfolio Servicing
- **Sopra Banking Software:** Sopra Financing Platform: Cassiopae; Apak WFS
- **Tamarack:** Salesforce.com Loan/Lease Accelerator
- **VREF Aircraft Value Reference & Appraisal Services:** VREF Aircraft Value Reference Guide
- **White Clarke Group:** CALMS Compass



The 2019
ELFA Software Guide
is sponsored
by IDS



Mobile Access

Scan the QR code at left to use the Software Listing on your smart phone.

Need a scanner? Try getscanlife.com

www.elfaonline.org/Directories/Software/

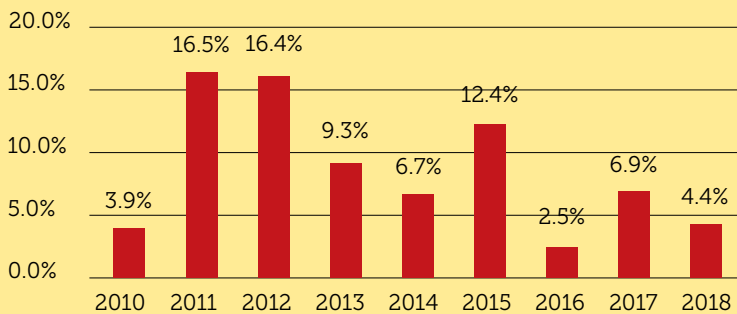


EQUIPMENT LEASING AND FINANCE ASSOCIATION
Equipping Business for Success

ELFA INDUSTRY D

Growth in New Business Volume

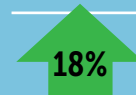
According to the 2019 Survey of Equipment Finance Activity, businesses increased their spending on capital equipment in 2018 for the ninth consecutive year.



MLFI

Monthly Leasing and Finance Index Products

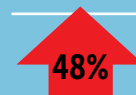
May MLFI Year-Over-Year



New Business Volume
Up 18%



Aging of Receivables:
Up 6%



Charge-offs:
Up 48%



Credit Approvals:
Down 1%



Employment:
Down 2%

\$80,000

That's the average salary for a collections manager, according to the ELFA Small and Medium Compensation Survey. A lot of variables come into play, such as size of company, region, ticket size and type of organization.

Watch for new compensation data, coming this fall, and contact Bill Choi at Bchoi@elfaonline.org to participate in ELFA compensation surveys.

ASHBOARD



36

That's the number of states as of April 1, 2019, that have adopted laws authorizing either medical or recreational marijuana, or both. Due to a myriad of legal issues, providing financial services to cannabis-related businesses involves significant risk. Unfortunately, as state cannabis laws become more commonplace, many financial companies will find that indirect connections to cannabis-related businesses will be increasingly harder to avoid. Federal legislation is needed to solve the current disconnect between federal prohibitions on marijuana activities and the state laws licensing those same activities.

Source: Spring Journal of Equipment Lease Financing, www.leasefoundation.org/industry-resources/journal-of-equipment-lease-financing/



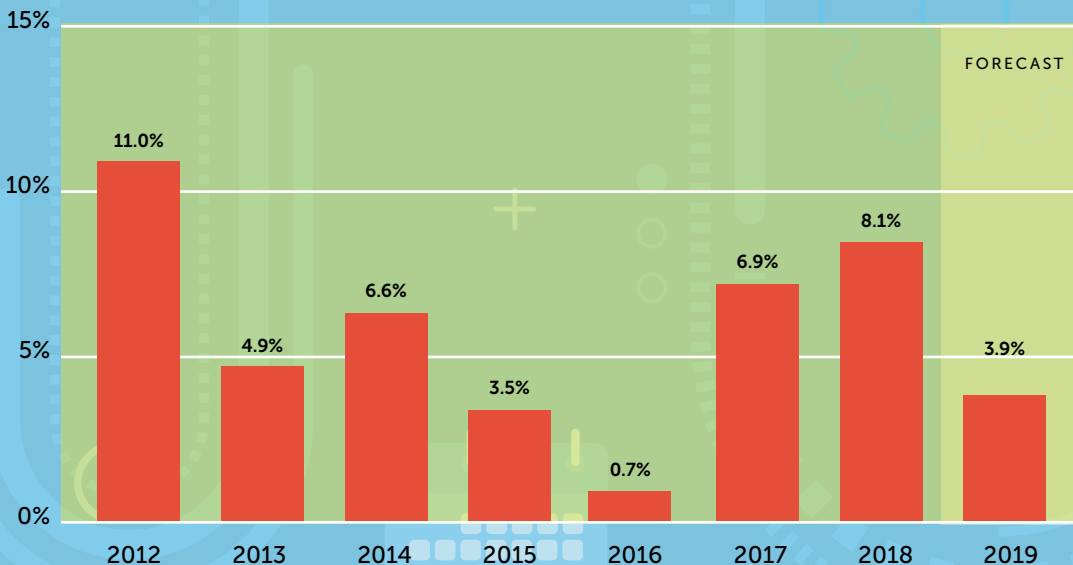
Equipment Acquisition Forecast

More than twice as many end-users expect their equipment and software acquisitions to increase vs. decrease over the next 12 months.

Source: 2018 Equipment Leasing & Finance Industry Horizon Report, <http://bit.ly/ELFFHorizonReport>

U.S. Equipment & Software Investment Growth

Annualized Growth



Source: Macrobond Financial: Projections from Keybridge

Equipment and software investment are expected to grow 3.9% in 2019 according to the Q3 update to the Foundation's 2019 Equipment Leasing & Finance U.S. Economic Outlook. Access the full report at <http://bit.ly/ELFFEconomicOutlook>

CRITICAL Operations



Technology is terrific.

But without a vision and strategy for applying it effectively, you could do more harm than good.

BY SUSAN L. HODGES

WE'VE ALL EXPERIENCED IT:

"Shiny Object Syndrome," that feeling of seeing or hearing about a new device or capability and wanting it—whether we need it or not. As the Digital Age continues its dash across the 21st century, leaving new products and possibilities in its wake, we're likely to be infected with "S.O.S." increasingly often. But Andrew Cotter offers a reminder that could serve as an antidote:

"Remember, the first step to acquiring technology is not about technology at all," emphasizes Cotter, Executive Vice President of Somerset Capital Group, Ltd., and Chair of ELFA's Operations and Technology Committee. "The first step is to identify the business problem you're trying to solve. Once you know that, *then* you start investigating technologies to achieve it."

Both Sides Now

Jennifer Martin, Vice President of Leasing and Vendor Program Support at Key Equipment Finance and a member of the Ops & Tech Committee, says Cotter's point is well taken, since technology that's not applied in the most efficient manner is wasted. "Equipment finance companies need to balance technology with the culture and skills required to implement it while still running their businesses," says Martin. Because it can be tough to step back from day-to-day operations and examine a business problem instead of a current process, for example, "A cultural shift toward open-mindedness might be necessary for a company's leaders as well as its employees," she says. "Additional learning and skill sets might also be needed to thoroughly explore a technology and implement it effectively."

**"Remember,
the first step to
acquiring technology
is not about
technology at all.
The first step is
to identify the
business problem
you're trying to solve."**



—Andrew Cotter
SOMERSET CAPITAL
GROUP

To that end, ELFA's 2019 Operations & Technology Conference will focus more sharply on operations. "The last couple of years, we've focused mainly on technology innovation—and rightly so, because there's a lot of great innovation we wanted to show the industry and try to apply some of it to real-life scenarios," says Martin. "But we try to strike a balance between operations and technology, and there are important ideas and trends on the Ops side this year that attendees will want to bring home to their companies."

To be held Sept. 16–18 in Chicago, the Conference will feature sessions on soft skills, such as change management, diversity and applying Agile methodology, not only to IT projects but across the organization. Technology topics to be covered include AI, RPA (robotic process automation), blockchain, security, fintech and the use of data analytics to support better decisions considering the Current Expected Credit Loss (CECL) standard requirements.

"We've dipped our toe into technologies, but we're keeping the pure tech sessions to half an hour this year so attendees understand the technology but don't focus on it specifically," says Cotter. The goal is to take away solutions that can be applied to business issues and processes. "We're not going to solve particular problems, but you'll leave with new tools you can apply to your situations," he says.

Managing the Big Picture

Lisa Nowak, Senior Product Manager at IDS and a session leader at the upcoming Conference, says operations management is "absolutely critical" to a company's effective use of technology. "Operations helps us understand the broader ecosystem and its

implications," she says. "Before you apply technology, you need to consider its potential impact on customers, partners, security, data privacy and many other things. These impacts can be good or bad, and operational teams help companies understand all the implications so the technology can be applied in ways that are value-positive and not value-negative."

Nowak says Operations also helps innovators understand potential use cases for experimentation. "You want to understand the problem you're solving, prioritize what you'll do and understand the impact you're trying to have," she explains. "Operations can help technology innovators assess what the use cases are. It can also help innovators know if they've achieved success taking the next step toward value that meets the use case."

Nowak will lead a session on applying Agile companywide. "Agile is not just a process, it's a way of being, a way of thinking and operating," she says. "Being agile means using collaboration to solve problems. It means empowering people to work in accountable teams to think and talk through how to solve a problem using constant inspection and adaptive processes to deliver ongoing, prioritized value to the customer— whoever that may be."

Nowak says successful, broad adoption of Agile often requires coaching due to the major shifts in mindset and process needed. "At all levels, things are going to feel different, whether you're a team member, an executive or a manager in finance," she says. "Before Agile, you may have had a pre-set plan that required you to work in a certain way. But technology and digital disruption are happening so fast, companies must adapt quickly. With Agile, you're constantly inspecting, adapting and changing course to create better value. Coaching from people who've been through it helps you understand the transformation you're making and keeps you from getting discouraged."

Cleaning Out Clutter

Cam Krueger, Managing Director, Specialty Finance Leader at Accenture, says he sees a number of equipment finance companies already using the Agile approach to become less encumbered. "For 20 years, companies in our industry engaged others to handle non-value-add but mission-critical components of their business," says Krueger. "Now we're seeing the deconstruction of that as companies think agile and nimble to focus on areas where they have competitive advantages." Krueger says more firms are also

identifying processes that have no sustainable advantage and dropping them. "Some are doing this while flying the airplane," he says. "Others are putting up parallel organizations that look at the whole life cycle and build an ecosystem to support it."

Translation: Companies running the same technology platform for 20 years are thoroughly encumbered and endangered. "Changing from one core platform to another is not a game-changer; it's a move to maintain the status quo," Krueger warns. "Equipment finance companies need to transform the experience for commercial customers the way the experience has been changed for retail customers—and those with legacy technology stacks may be incapable of using some of the more modern system components that their parent companies possess."

Krueger also alludes to the same challenge Jennifer Martin mentions: the difficulty of thinking about the new when you're mired in the old and have a portfolio to manage. "To do it, companies have to figure out what they want to look like in five to 10 years and draw a long-term strategy to evolve," he says. He suggests driving technology by mapping the processes that can be made defensible from competition and will increase ROI. "Once you know those processes, then decide whether to build, buy or modify what you have to support them," he counsels, adding, "It's a multiyear roadmap, and there's no silver bullet."

Coping Constructively

What there is, is change—and lots of it. That's why Tina Cartwright will lead a Conference session on change management. "When we look at how quickly our world is changing, we see that our industry is working to keep up," says Cartwright, Senior Vice President, Information Technology and Operations at U.S. Bank Equipment Finance. Because companies are focused on creating environments that allow for quick adaption as technology is rolled out, she says they could benefit by also fostering environments that allow employees to engage and listen and have an impact on the changes being made.

"As humans, we often resist change, so rather than focus fully on technology, it's helpful to also focus on the psychological aspects of change," she says. "Leaders and employees can work together to create a safe environment in which people can navigate through change, have those feelings of resistance and evolve at their own pace."

Cartwright says a key to managing change successfully is awareness that there are various components of change and that people move through them at different paces. "We may not be able to change these components, but if we expect them, it allows for open dialogue and open navigation," she says. Moreover, figuring out the roles that change-resistant people can play in the organization can generate significant progress. Says Cartwright, "Studies show that over time and with guidance, there is the capacity for those more hesitant individuals to navigate and even assist others with some of the change."



— Jennifer Martin
KEY EQUIPMENT
FINANCE

"The Operations & Technology Conference is the place to get to know who the players are, start conversations with them and begin to learn your options."

By now, Cartwright believes, industry leaders have shed any denial they might have had earlier about the need to track trends in customer behavior as well as in technology and implement new processes to deal with them. "Now we're moving through the stages of managing change and making it more of a positive experience," she says. "Decision-makers are evolving, having an impact on how we look at change and what we do to manage it productively."

Balancing Needs and Demands

Because customer expectations are part of change and continue to evolve as digital commerce becomes more prevalent, Steve Nelson will lead a session on authenticating customers remotely. "Customers expect to transact where they are, when they want and on various devices or channels," says Nelson, SVP, Director of Operations at TD Equipment Finance. As a result,

"Before you apply technology, you need to consider its potential impact on customers, partners, security, data privacy and many other things."



—Lisa Nowak,
IDS

companies are finding it harder to know whom they are communicating and transacting with.

"The challenge is to implement the technology customers demand while working within companies' compliance and risk frameworks," Nelson says. "To determine where to invest their dollars, companies have to look at the experience they're trying to deliver to the customer and then make sure they have the expertise to do it."

Nelson will discuss different types of authentication methods, best practices and compliance and possibly some technologies being used. "Right now, the industry is going through a transition, as companies are beginning to offer the digital experiences that clients want," he says. But the investment is costly because upgrades to other core service systems may be necessary to enable the authentication technology. "It's about your whole ecosystem," he summarizes. "Customer experience is an important differentiator in equipment finance, and companies wishing to upgrade their legacy systems to meet the authentication challenge will have to examine those systems and determine the right investment strategy to meet customer expectations."

Nelson won't say much more for fear of spoiling his session's content. But he does mention behavioral authentication as "The Next Thing." "This means putting AI and machine learning behind the authentication process," he says. "Behavioral authentication doesn't just compare the information entered; it examines *how* and *from where* the authentication data is entered," he explains. "AI and machine learning enable the authentication process to evaluate the authentication data in conjunction with the customer's normal activity patterns."

Cotter and Martin think the emphasis on operations and ecosystems will make for more informed research when Conference participants talk with the many vendors who will exhibit. Says Cotter, "We're bringing back our Exhibitor Lightning Rounds, which give the vendors a chance to speak briefly about who they are and what they have to offer."

And since the RFP process is the point at which companies decide whether to build or buy the technology they need, "Conference attendees will be able to do a lot of initial RFP research because we expect such a wide variety of vendors to be there," says Martin. "The Conference is the place to get to know who the players are, start conversations with them and begin to learn your options."

Armed with these opportunities, equipment finance professionals could find themselves inoculated against all but the most relevant cases of Shiny Object Syndrome. ☰

SUSAN HODGES writes about equipment finance and other business topics from her office in Wilmette, Ill.



LEARN MORE

at the ELFA Operations & Technology Conference, Sept. 16–18 in Chicago. Don't miss the session showcasing the 2019 Operations & Technology Excellence Award winners.

See conference details at www.elfaonline.org/events/2019/OT.

The Premier Event for
Lease and Finance
Accounting
Professionals



Lease & Finance Accountants Conference

September 16-18 The Hilton Chicago • Chicago, IL

- Introduction to the Leasing and Finance Industry
- CFO Roundtable
- Taxation of Leases and Service Contracts
- Keynote: Rob Wescott, Economist
- State of the Association and State of the Industry
- Rev and Rec Issues
- Lease or Not a Lease
- Interpretive View Lessor - Hot Topics
- Interpretive View Lessee - Hot Topics
- CECL Overview
- Evolving for the Customers and Data Needs
- Lease & Loan Pricing Basics
- Operationalizing Between IFRS or US GAAP
- Lease Implementation Pressure Points: Unexpected Questions You've Encountered and Operational Landmines
- Lease and Loan Sales
- Leases in Business Combinations
- Sale Leaseback
- The View from Across the Pond: An Update from the IASB
- CECL: Using Data Analytics to Support Better Decisions
- Leases and Real Estate
- Advanced Lease & Loan Pricing
- Ask the Auditor and Accountant
- Unmatched networking activities!

Please Note! The ELFA Lease and Finance Accountants Conference will again be held concurrently with the ELFA Operations and Technology Conference. Both conferences will share a table top exhibit targeting companies that provide lease and finance accounting software, and other technology-related processes and systems. To participate in the exhibition or to become a sponsor of this event, please contact Steve Wafalosky at stevew@larichadv.com or (440) 247-1060.

Complete conference details coming soon.

Please visit the Events and Training Section of the ELFA website:

www.elfaonline.org

Program
Qualifies for
NASBA CPE
Credits

ELFA

EQUIPMENT LEASING AND FINANCE ASSOCIATION
Equipping Business for Success

Flexible Flyers





A company's ability to move quickly can be a godsend in any economy. For independent equipment finance firms, agility is not just an advantage; it's a birthright.

BY SUSAN L. HODGES

A report released earlier this year by the Equipment Leasing & Finance Foundation ("Independents: Banking on the Non-Banks") observed that while the future generally looked positive for experienced independents, a number of conceivable situations could undermine their success. These included reduced funding by banks, risk management focused on the short term, and conditions that further tighten the squeeze on spreads. To follow up, EL&F magazine interviewed members from independent equipment finance companies to produce a snapshot look at the state of the sector now. Here's what we found:

ASK ABOUT THE CHALLENGES currently throwing rocks in the path of independent equipment finance companies in mid-2019 and Bob Neagle of Ascentium Capital easily lists several:

- Surging competition, and the slew of strategies and tools needed to stay ahead of it
- Maintaining disciplined risk management as newer players and others slacken their credit boxes or loosen terms
- Maintaining diversity in types of equipment financed and ensuring your company has done all it can to reduce susceptibility during an economic downturn.

Daunting as it all sounds, however, Ascentium Capital and others in the independent sector make like the classic sleds of wintertime and zip around or over these obstacles daily. They might insert technology in the decisioning model to win more transactions without taking on more risk, or use financial-product flexibility to do deals that captives and others won't, due to business-model parameters or lack of expertise. Indeed, many independents still view opportunities spurned by others as lubricants to speed their momentum—even as the U.S. economy charts a tenth year of recovery from the recession of 2008-2009.

"To be successful, independents have to be responsive and flexible, responding in customized ways to market opportunities."

—Bob Neagle
Ascentium Capital



Neagle, President of Merchant Finance at the Rochelle Park, New Jersey-based company, says such traits are key qualities that set independents apart. “To be successful, independents have to be responsive—reflected in speed—and flexible, responding in customized ways to market opportunities,” he says. To do that, he thinks companies need a degree of specialization to avoid offering a commoditized product, and technology that enables quick and competent performance in an environment flush with alternative competitors as well as traditional ones. “If you have those things, along with a culture that inspires people to work inside your business model as a team, you have an opportunity to win customers and keep them,” he says.

Don Hansen, CEO of Regents Capital Corporation, a five-year-old, Costa Mesa, California-based generalist that’s growing quickly, believes the qualities that breed successful independents are unchanging. “Most independent companies still contain an entrepreneurial vein that brings an intensity and energy to the marketplace that naturally attracts customers,” he says. Although a spate of acquisitions after the last recession reduced the number of Independents in the marketplace, “It created lots of room for the rest of us,” says Hansen. “And as we continue to be a spirit of innovation in the industry, that will only produce enhanced results for those of us that stick to our guns and continue developing solutions that are more responsive to customer needs.”



“Regulatory compliance has made it difficult for banks to do business with small and mid-size businesses... That’s created an opportunity for independents.”

—Don Hansen
Regents Capital Corporation

Technology as Fundamental

But even the best entrepreneur needs well-crafted ideas and proper tools to implement them. Brian Eschmann, President of Trans Lease, Inc., in Denver and Chair of ELFA’s Independent Middle Market Steering Committee (IMM BCSC), says the transportation lessor is leveraging technology across the board to improve lead generation, receive applications and enhance work flow, including credit adjudication and document flow. “Our business is centered on relationships, but we see technology as a way to compliment knowing our customers,” he says. “We’ve been pleased with our ability to leverage technology and process improvements to achieve our desired growth without significant increases to operating expenses.”

Meanwhile, Sertant Capital, LLC, of Newport Beach, California, is using technology to diversify its offerings beyond equipment financing. President and CEO Dan Krajewski, who is also a member of the IMM BCSC, explains:

“We’re primarily involved in structured finance, but we’ve also expanded our capabilities by entering several markets, including the App-Only sector and the transportation industry. Our goal is to provide a multi-dimensional platform that offers several financing options, all enhanced by some level of technological support. That can be technology that can enhance processes or be used in products that offer analytical tools for end-users.”

Regents Capital has found another way to get to decision-makers. IMM BCSC member Hansen says a robust suite of solutions accelerates the company’s ability to reach prospects quickly, determine need and create engagement. “We’re using a focused, targeted



“The electronification of so many parts of our industry has made it a target for crimes committed remotely.”

—Brian Eschmann
Trans Lease

approach with messaging and technology to penetrate all the noise they get," he says. "In some instances, we use a straight effort from the sales team to create personal engagement. But our technology always accelerates the process to get to right person quicker, and our ability to engage quickly has also been enhanced."

Neagle says that since its 2011 founding, Ascentium Capital has had as its objective the building of proprietary technology to serve vendors with finance programs suited for the modern era. Current examples include application-only financing up to \$250,000, with most decisions in two hours or less, and low- to no-touch integration of marketing and decisioning tools with vendor partners to produce a unique client experience.

"We have a large team of people who do nothing but build technology and continually upgrade it and respond to the needs of clients who use it," Neagle says, noting that the investment has produced a high level of service and helped bring in billions in financing. "We offer financing to select niches where our technology is valued and we can help our partners grow their business and grow it with us," he summarizes.

Capitalization as Strategy

Sohini Roy agrees that effective use of technology is key to independents' success. But she believes the way independents fund themselves will become the top differentiator when the economy turns. "Independents come in three flavors: syndication-only, balance-sheet-only, and those with balance sheets who efficiently sell some of their transactions," says Roy, CFO of Nexseer Capital in Irvine, California and a member of the IMM BCSC. "Where you are on that menu determines your credit mobility and how a recession will impact you. The more effectively a company can move up and down the credit spectrum to find and fund business, the more it can withstand fluctuations in the economy."

Nexseer operates in the \$1-million to \$5-million ticket space, is agnostic to collateral type and specializes in structured finance solutions for what Roy says are "typically very bankable credits." The company will also do deals up to \$100 million that it can organize and keep part of the exposure for while selling the rest. "We don't compromise on credit," she says. "People come to us because few financial institutions have structuring expertise. A bank might contract with a structurer to do a \$200-million deal, but for something smaller, it wouldn't be worth it. So we take the exposure and sort through it, and since we're interested in

sharing the risk, we hold some of it in our own balance sheet and syndicate the rest. It's an operative way for us to grow our own balance sheet while simultaneously partnering with other financial institutions."

Roy won't speculate about the overall effects on independents once a downturn occurs. "But a driving factor will be the shape of companies," she says. "I think what happens will depend on whether or not companies have balance sheets *and* deep capital markets expertise."

Krajewski views the situation with more shades of gray. "In both the credit and residual markets, we see some tightening on both ends," he says. "We believe this gives us more opportunities to provide structured capital to companies that may have been on the cusp of approvable, but are now no longer bankable as Tier 1 credits. And since we work in a multi-funder environment with a number of sources as syndication partners, we're still able to place transactional business in a more difficult environment."

"The more effectively a company can move up and down the credit spectrum to find and fund business, the more it can withstand fluctuations in the economy."

—Sohini Roy, Nexseer Capital



Market Approaches

Eschmann thinks market discipline will play a large role as the economy downshifts. "There seems to be opportunity for those who don't make mistakes before the next downturn to increase and grow their market share," he observes. "Many of the newer players who've stretched their credit box or are bank-owned are likely to find that their appetite changes as soon as they start to experience losses." Not only do such companies usually leave the market quickly, he says, "They also take their time getting back in."



Ten "Rules" for Long-term Success for Independents

1. Start with the customer needs: Independents can continue to thrive as long as there are unique problems to solve.
2. Pick the right spots: Avoid commodity business (pricing disadvantage and no relationship value).
3. Develop and exploit expertise in industry niches or financial structuring.
4. Revisit niches regularly to avoid concentration risk.
5. Focus on solving unique problems that provide clear value.
6. Pay for success.
7. Manage funding sources: Avoid liquidity risk.
8. Link risk management groups and sales staff as a collegial team.
9. Build a positive culture without silos.
10. Maintain management discipline but also be opportunistic.

Source: "Independents: Banking on the Non-Banks."
Download your copy at www.leasefoundation.org.

Hansen believes this has already happened to an extent. "Customers tell me they just want to finance a piece of equipment, and their bank wants them to go buy a warehouse or something," he says. "Regulatory compliance has made it difficult for banks to do business with small and mid-size businesses, particularly for stand-alone transactions. That's created an opportunity for independents, because we now see customers who want a very standard finance solution delivered to them without a lot of headaches, and their options have become limited." Meanwhile, Regent Capital's strategy is full steam ahead until erosion in credit or the company's portfolio signals trouble, he says.

Neagle says Ascentium Capital expands into markets complementing the company's business model as a way to address competition. The company entered the point-of-sale space in 2016 and, more recently, commercial-vehicle finance. But unless a firm has a value proposition that differentiates it from competitors, Neagle thinks widening the credit box to chase volume could result. "If you have a value proposition that differentiates you and a strong risk management culture like we do, you'll look for markets that continue to meet the risk profile for markets you're currently in, and expect to be in in the future," he says.

Fending Off Fraud

But the focus on growth and opportunity can only continue as long as the fight against fraud is unflagging. Phishing has become so common at some companies that it's encountered almost daily. "It's relentless," says Hansen. "We had several scenarios come through that we caught, emails giving fake wiring instructions, directed not only to us but to our customers. We had to adjust our business processes and institute fraud training for our new hires, because some of the emails are really deceptive and can be pretty enticing."

Eschmann says that while exposure to fraud at Trans Lease has been limited, the company has seen it. "The electronification of so many parts of our industry has made it a target for crimes committed remotely," he says. "Fraudulent applications, phishing and attempts to falsify payment instructions are on the rise, but I think most lenders are taking aggressive measures to combat these potential threats."

Roy observes that members of ELFA's Independent Middle Market Business Council Steering Committee are reporting "a greater need for fraud awareness,"

"Independents are still nimble... It really is a great time to be an independent."

—Dan Krajewski
Sertant Capital



which they believe could be met with more—and sometimes new—internal controls and training.

Internet fraud at Sertant Capital has not yet become a problem. But Krajewski thinks that could change as the company increases its penetration in the application-only market place. More pressing, he says, is acquiring the right talent to fuel expansion in a full employment market. "[But] we're seeing some softening on this issue, and the number of people seeking employment changes seems to be increasing," he says.

Besides, challenges don't dampen Krajewski's outlook. "Independents are still nimble," he concludes. "We have the ability to think outside the box, we're entrepreneurial in spirit, and as we see changes in the economic environment, I know we will have more opportunity than less. It really is a great time to be an independent."

Eschmann goes a step further. "I think any time is a good time to be an independent," he says. "We're afforded

the opportunity to be entrepreneurs, to make decisions to the extent we have the balance sheet, expertise and enthusiasm to do it. We're not free to do anything we want, but we can take advantage of trends and move quickly. We're in the business—and we never left."

If that's not flexible flying, what is? ☰

SUSAN HODGES writes about equipment finance and other business topics from her office in Wilmette, Ill.



Make a Lasting Impact!

Guest Lecture Program

Connect with the *next* generation workforce and become a Foundation Guest Lecturer at your local university! Share your experience to attract new talent to the industry.

Internship Center

Recruit the best via the Foundation's digital Internship Center! A one-stop resource for managing your intern search, the online Internship Center provides a platform for students and companies to make connections.

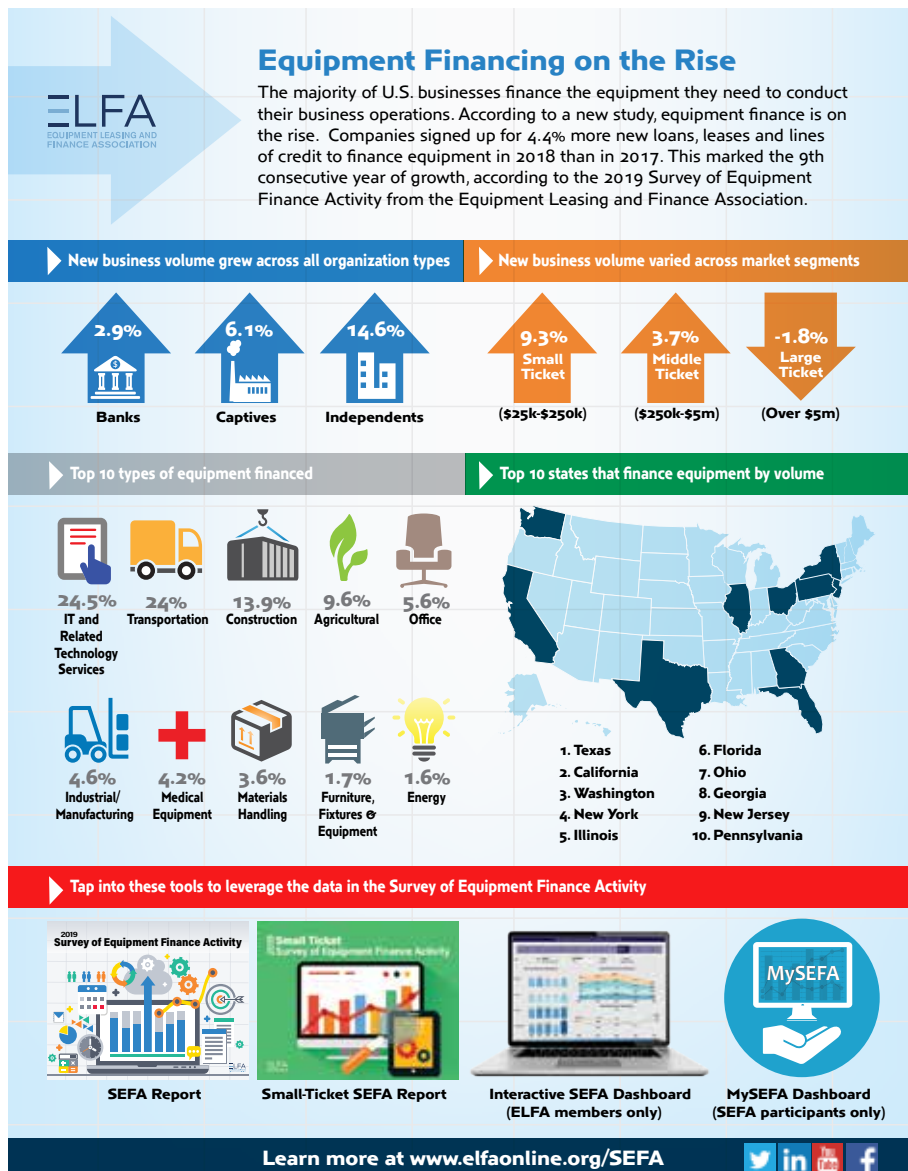


www.LeaseFoundation.org

DATA DASH

2019 Survey of Equipment Finance Activity goes interactive

GROWTH ONCE AGAIN CHASED OFF THE SPECTER OF AN ECONOMIC DOWNTURN as equipment finance companies charted a solid 4.4% overall increase in new business volume for 2018, according to ELFA's 2019 Survey of Equipment Finance Activity (SEFA). The rise was lower than the 6.9% increase achieved in 2017, but still impressive when compared with growth of the nation's GDP, reported at 2.9% for 2018 by the U.S. Department of Commerce.



The SEFA report covers key statistical, financial and operations information for the \$1 trillion equipment finance industry, based on a survey of 126 ELFA member companies. The 300-page report, which is produced by PricewaterhouseCoopers, offers comprehensive performance metrics—including volume size, organization type, market segment and business model—as well as productivity measures—including residual experience, balance sheet data, financial ratios, profitability data and more.

Highlights

Key findings for 2018 as reported in the 2019 SEFA include:

- **New business volume grew 4.4% in 2018.** By organization type, independents saw a 14.6% increase in new business volume, captives saw a 6.1% increase and banks saw a 2.9% increase. By market segment, new business volume grew 9.3% in the small ticket segment and 3.7% in middle ticket but declined 1.8% in large ticket.
- **From an asset perspective,** the top-five most-financed **equipment types** were IT and related technology services, transportation, construction, agricultural and office machines. The top five **end-user industries** representing the largest share of new business volume

Visualize key takeaways from the 2019 SEFA in this infographic at www.elfaonline.org/SEFA

BOARD

were services, wholesale/retail, transportation, agriculture and industrial and manufacturing.

- **Delinquencies** edged up in 2018 to 4.5% overall, from 4% in 2017. Delinquencies have been on the rise since 2013 when only 1.2% of receivables were over 31 days past due.
- **Charge-offs** also increased sharply, more than tripling from 0.27% in 2017 to 1.14% of average receivables in 2018.
- **Credit Approvals** increased slightly and while the percentage of approved applications being booked dropped slightly, there was an increase in total dollars booked.
- **Employment** levels grew moderately by 2.1%

Access the Data Online

New this year, members can tap into three different SEFA resources to get the data you need:

- **Full SEFA Report** – A 300-page PDF document that offers comprehensive performance metrics for 125+ equipment finance companies. The companion Small-Ticket SEFA Report delves into small-ticket portfolios.
- **Interactive SEFA Dashboard** – A powerful online dashboard that showcases executive summary data from a decade of SEFA reports. Drill down into the data you care about—in just a few clicks. Free and available to all ELFA members.
- **MySEFA** – A personalized data tool that lets SEFA survey respondents track their own operational and performance statistics and compare them against their peers. Only available to companies that participate in the SEFA.

Member-respondents receive a complimentary copy of the survey report, as well as a confidential and interactive MySEFA dashboard report. Others may purchase the SEFA. Learn more at www.elfaonline.org/SEFA. ☰



Don't miss the free 2019 SEFA webinar on Aug. 6. Watch live or view the recording at www.elfaonline.org/SEFA

Top 6 Ways to Use the Survey of Equipment Finance Activity

How can your business get the most out of the Survey of Equipment Finance Activity? Use these tips for leveraging both the online interactive dashboard and the full 300-page report:

- 🔍 **See how your company stacks up against the competition.** Compare your portfolio performance—yield spread, ROE, delinquencies, charge-offs and more—to what other equipment finance companies are experiencing.
- ✅ **Validate strategic business moves.** Whether you are introducing a new product or looking to make the case for or against entering a particular product line, the SEFA data can help justify your next steps.
- 🔍 **Explore new verticals.** Get a sense of the size of various markets, number of competitors and growth rate.
- 💰 **Compare operational expenses.** Discover how your costs—such as sales, credit, booking and other expenses—compare to others in the industry.
- 👥 **Analyze headcount reports.** Gauge where to invest your human resources: sales, information systems, compliance, marketing and more.
- 📊 **Validate assumptions and conclusions.** Review the data you need—such as productivity measures, residual experience, balance sheet data, financial ratios, profitability data and more—to get the real picture.



Get proven tips for how your business can use the 2019 SEFA at www.elfaonline.org/SEFA

Air, Rail and Marine Finance

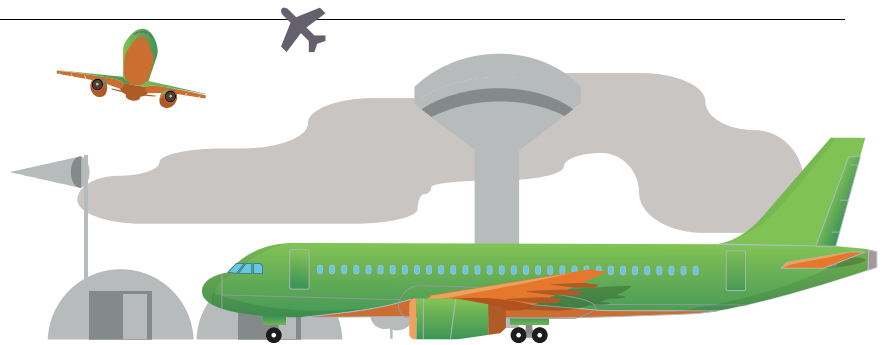
New or Not-So-New Things to Know

LENDERS AND LESSORS financing regulated transportation assets are much more likely to achieve their investment goals if they are mindful of the existing and evolving laws, regulations and other legal matters and trends related to those assets. Provided below are summaries of some of the emerging legal issues related to air and vessel financings, and an explanation regarding a distinctive legal aspect related to rail financing.

AIR: Big Case and Agency/Legislative Developments

Republic Anti-SLV LDs Case – Arguably, no case generated more concerns for aircraft or equipment lessors than *In re Republic Airways Holdings Inc.* (598 B.R. 118, 121 (Bankr. S.D.N.Y. Feb. 14, 2019)). Relying upon enforceability tests in pre-UCC 2A precedent that were overridden when UCC §2A-504 was enacted, the *Republic* court refused to uphold a stipulated loss value (SLV)-based liquidated damages remedy, deeming it to be unreasonable because it shifted the decline-in-value risk to the lessee during the term of the lease. It also ignored New York precedent when refusing to enforce the related absolute and unconditional guaranties. *Liquidated damages formulas/ amounts must, at lease commencement, be “reasonable in light of the anticipated harm caused by the default”; consider whether your lease documents, appraisals and other then available information support that conclusion.*

Gray Chartering Concerns – The Federal Aviation Regulations (FARs) regulate business or personal use operations under FAR Part 91, and compensated transportation operations under more stringent FAR Part 135. Customers operating under Part 91 sometimes mistakenly or otherwise engage in illegal or “gray” chartering by making the aircraft available to related or unrelated parties and being compensated in amounts exceeding the limits provided in Part 91. Examples include “flight department company” SPE operators, illegal dry leases of aircraft and crew, and excessive timeshare agreements. The Federal Aviation Administration (FAA) is now vigorously pursuing investigations and sanctions against violators. *Consider due diligence and document requirements to avoid resulting risks (e.g., customer: fines, taxes, etc.; and lessor/lender: insurance, reputational, etc.).*



Registration Concerns – News accounts of “abusive” non-citizenship and other ownership trusts have caused legislators and agencies to raise concerns that current registration practices obfuscate the identity of the true owner of an aircraft, facilitating criminal activities, terrorism and sanction violations. Based on a forthcoming U.S. Government Accountability Office audit report, new legislation could impose intrusive and impractical information gathering responsibilities for the FAA Registry and registration applicants relating to trusts and other aircraft registration. *Note the increased scrutiny and consider related due diligence and trust-related documentation and practices (e.g., recognized trustees and transparency regarding ultimate owner and operator).*

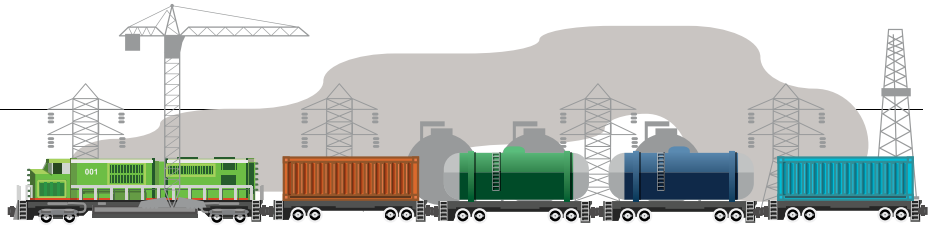
Liability Safe Harbor Strengthened – The FAA Reauthorization Act of 2018 signed into law October 5, 2018 addressed certain liability safe harbor (49 U.S. Code § 44112) vulnerabilities in the prior version of this statute protecting lessors, lenders and other passive parties. As revised, § 44112 no longer requires that the subject injury, death, etc. occur “on land or water,” and replaces a non-specific exclusion, “control,” with “operational control” (defined in 14 C.F.R. § 1.1). *Although these changes should address certain specious liability claims, financiers should still rely on diligence, indemnities, insurance, legal compliance and other protections.*

Railroad Reporting Marks

Every railcar and locomotive you see has a large alpha-numeric mark stenciled on its sides. This is a railroad reporting mark, and it consists of a two-to-four-letter code, followed by a number. The letter code is assigned by a subsidiary of the Association of American Railroads (AAR), and the number (up to six digits) that follows is assigned by the owner of the railroad rolling stock. Frequently, the letter code relates to the owner company's initials. Some companies have many reporting marks. The name of the owner of each reporting mark is publicly available. Examples of reporting marks: BNSF, CSX, UP, GATX and FURX.

The legal owner of a railcar may not be the AAR railcar "owner" (i.e., the owner of the reporting mark stenciled on the railcar). In lease transactions, the lessee may be the AAR railcar owner, and the lessee's reporting marks may appear on the car. Similarly, as a result of acquisitions, mergers or sales and purchases of railcars, a railcar may bear the reporting mark of a predecessor owner.

All railcars that are in interchange service (meaning between railroads) must have a reporting mark. Reporting



marks are important for two primary reasons:

- They are used to identify railcars in documents filed with the Surface Transportation Board (in the U.S.) and the Registrar General (in Canada); and
- They are used in several of the AAR's databases:
 - UMLER – physical characteristics of the railcar (including internal and external dimensions, capacities and weights), use restrictions and prohibitions, safety inspection dates, etc.
 - TRAIN II – information regarding the physical location of the railcars.
 - Car Repair Billing Data Exchange – railcar owners are responsible for certain repairs to railcars, and there is a monthly exchange of repair bills in electronic format administered by a subsidiary of the AAR.
 - Car Hire Data Exchange – monthly exchange of time and mileage payment information in electronic format—administered by a subsidiary of the AAR.

Marine Update

IMO 2020 – The International Maritime Organization has adopted rules (IMO 2020) regarding the use of low-sulphur fuel on deepwater ships. IMO 2020 goes into effect on Jan. 1, 2020, and provides that ships may not use fuel with sulphur content higher than 0.5%. The rules apply to all ships flying the flag of a nation that has ratified MARPOL Annex VI and to all ships that carry to a port or transit waters of a nation that has ratified IMO 2020. It is estimated that over 95% of the world's fleet will be subject to IMO 2020.

To comply, ships must either use low-sulphur fuels or be fitted with exhaust systems called "scrubbers" that clean high-sulphur fuel. Because there are options for compliance, the shipping industry has taken different approaches for compliance, with some shipowners retrofitting some or all of their ships with scrubbers, and others relying on the availability of compliant fuel at reasonable cost.

Both methods of compliance present challenges. Scrubbers are expensive (from \$2 million to \$10 million, depending upon vessel size), the technology has not been proven, and scrubber wastewater may adversely impact the environment. While low-sulphur fuel may be an option, there are concerns about its availability, particularly in smaller and remote ports. Implementation of IMO



2020 may also be complicated in the U.S. because 2020 is in an election year, and the administration may be reluctant to enforce the switchover due to its impact on home heating oil.

Offshore Wind and the Jones Act – The growth of the offshore wind market in the U.S. has created new opportunities for Jones Act (Act) vessels because the Act likely applies to the transportation of passengers and materials between the U.S. shore and wind installation sites located on the Outer Continental Shelf. The Act requires vessels to be built in the U.S., flagged in the U.S., and 75% owned and controlled by U.S. citizens. Offshore wind projects may also involve dredging and towing (to which the Act applies) and pipe laying or pile driving (which is not implicated by the Act). Customs and Border Protection makes determinations of whether specific project activities are subject to the Act. ☰

BOB GOLDBERG is a Senior Company Counsel with Wells Fargo Bank, N.A. **EDWARD GROSS** is a shareholder at Vedder Price in Washington, DC. **MARJORIE KRUMHOLZ** is the managing partner of the Washington, DC office of Thompson Coburn LLP. **MELISSA KOPIT** is an associate at Vedder Price in Washington, DC.

Accounting Changes to Look Out for on the FASB Agenda

FOR MORE THAN 10 YEARS, the Financial Accounting Standards Board's (FASB) agenda was dominated by a handful of major projects addressing issues related to revenue recognition, leasing and credit impairment. These projects are now essentially finished. The revenue standard (ASC 606) was effective for public companies last year, the leases standard (ASC 842) is now live and companies are preparing to adopt the standard for credit losses (ASC 326) next year. While these standards and the related implementation efforts captured the headlines and attention of most people following accounting developments, the FASB was also working on other topics. These efforts were more targeted than the major projects, but they also have the potential to impact financial reporting for a broad spectrum of companies.

Not counting the big three projects, there were 29 standards or interpretations as of March 31 with current or fast-approaching effective dates. Think about that for a moment: Twenty-nine is a pretty daunting number. Fortunately, many of the standards have a very narrow impact—the FASB's elimination of the deferred tax implications of statutory reserves of U.S. steamship companies is a good example of this sort of narrow

change—and many of the changes do not impact the ELFA membership to any meaningful degree. Still, there are others changes that will or could impact companies in the equipment leasing and finance industry.

The accounting pronouncements listed in the following table are the most relevant to the ELFA membership and have been limited to the most significant standards that have an effective date for

FASB proposes delay in accounting standards — see www.elfaonline.org/LAC



SELECTED ACCOUNTING PRONOUNCEMENTS

Accounting Standards Update Number	Title	Effective for Fiscal Years After	Description
2017-04	<i>Simplifying the Test for Goodwill Impairment</i>	Dec. 15, 2019, for SEC filers, later for others	This ASU simplifies the testing of goodwill for impairment by eliminating what was known as Step 2 from the impairment test. This change to a single step test reduces the effort required to perform the periodic review of goodwill for impairment.
2017-01	<i>Clarifying the Definition of a Business</i>	Dec. 15, 2018, for private companies, earlier for public companies	Whether a transaction represents the purchase or sale of a business has a number of accounting implications. This ASU provides a screen that should reduce the number of assets that are considered businesses for accounting purposes. Financial service companies often had to address this question when they were disposing of investments.
2016-16	<i>Intra-Entity Transfers of Assets Other Than Inventory</i>	Dec. 15, 2018, for private companies, earlier for public companies	Companies often transfer assets within a consolidated group and that transfer may give rise to an impact on current and deferred income taxes. Financial assets, PP&E and intellectual property are examples of assets that are commonly transferred by a company within the consolidated group. This ASU eliminates an exception that existed in tax accounting and now requires the tax effect of a transfer to be recognized at the time of the transfer.
2018-15	<i>Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract</i>	Dec. 15, 2019 for public companies, later for others	This ASU aligns the accounting for the costs of cloud computing arrangements with the accounting for internal use software and determines which costs are to be expensed (e.g., preliminary training) and which are to be capitalized (e.g., certain application development costs).
2017-12	<i>Targeted Improvements to Accounting for Hedging Activities</i>	Dec. 15, 2018, for public companies, later for others	This amendment changed the designation and measurement guidance for qualifying hedges. It impacts a number of areas, including the recognition of hedge effectiveness.
2018-17	<i>Targeted Improvements to Related Party Guidance for Variable Interest Entities</i>	Dec. 15, 2019, for public companies, later for others	Two areas of accounting are impacted by this ASU: (1) application of the VIE guidance to related parties under common control and (2) consideration of indirect interests held through related parties under common control when determining whether fees paid to decision makers and service providers are variable interests. The first change will allow private companies to elect out of the VIE guidance if both they and the other entity are private companies. This option already existed for lease arrangements. The second is designed to have fewer decision makers being considered to hold a variable interest in a VIE, since it now requires indirect interests to be measured on a proportional basis rather than treating them as the equivalent of a direct interest.
2017-05	<i>Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets</i>	Dec. 15, 2018, for private companies, earlier for others	These interpretations clarify (1) what is meant by in substance nonfinancial assets, (2) how to account for the sale of multiple nonfinancial assets and (3) how to account for partial sales of nonfinancial assets. These questions are relevant to the accounting for sales of operating leases.

public or private companies in 2019 or 2020. Each company is in a different position, however, and scanning the complete list of standards, which is available at www.fasb.org or www.grantthornton.com/library/articles/audit/2019/comment-letters/effective-date-schedule.aspx, is highly recommended.

This table is only a snapshot of the changes that are now being or will have to be implemented in the near term. Some of the accounting standards or interpretations will impact annual compliance efforts (e.g., ASU 2017-04), while others may have implications on the accounting for specific transactions (e.g.,

2017-05). Depending on the specifics of your operations, one or more of these changes may have a significant impact upon your accounting and reporting. ☰



DARYL BUCK is the National Managing Partner of Accounting Advisory Services for Grant Thornton LLP and a member of the ELFA Financial Accounting Committee. **JOHN BOBER** is Chair of the ELFA Financial Accounting Committee and Managing Member of IXL Lease Advisory Services, LLC.

A Strong United Voice

Capitol Connections demonstrates the visibility of the industry within the policy debate.

ON MAY 15, 125 ELFA members spent the day in Washington, D.C., advocating on behalf of the equipment leasing and finance industry during Capitol Connections. Over the course of the day, ELFA members visited more than 175 House and Senate offices.

In addition to advocating for the industry, attendees heard from several keynote speakers. Rep. Jim Himes (D-CT) spoke to the group and answered questions from the audience during the opening breakfast. Sen. Cory Gardner (R-CO) addressed the LeasePAC reception. Paul Begala,

a former advisor to President Clinton, spoke to attendees about the current political landscape during the closing dinner.

A special thank you goes out to Thompson Coburn, who sponsored this year's Capitol Connections program by providing access to a Congressional directory app for an entire year for attendees.

during Capitol Connections. In the coming weeks, Members of Congress will be returning to their districts for the August recess. This is a perfect time to schedule an in-district meeting; Members of Congress are usually very willing to spend time learning about employers in their district and states. If you are interested in building a relationship with your Member of Congress, please reach out to Chelsea Neil at cneil@elfaonline.org. ☰

Next Steps

ELFA members are encouraged to maintain a dialogue with your legislators to build on the foundation created

CHELSEA NEIL is ELFA Director of Federal Government Relations.



Advocacy Award

ELFA Chairman Jud Snyder presented the 2019 David H. Fenig Distinguished Service in Advocacy Award to Moorari Shah, Counsel for Buckley LLP. The award recognizes individuals who have made extraordinary contributions to the association's federal and state advocacy programs.



LeasePAC Event

LeasePAC Chairman Connie Eimers and ELFA President and CEO Ralph Petta presented the award for Highest Percentage Gains in Receipts for a Company Campaign to Michelle Speranza of LEAF Commercial Capital Inc. The LeasePAC Committee recognized several individuals and companies for their leadership at the LeasePAC reception.



Rep. Jim Himes (D-CT) addresses ELFA members during the opening breakfast.



Mike Wiedemer met with his Member of Congress, Rep. Joseph Morelle (D-NY), pictured at right.



Paul Begala, former advisor to President Clinton, speaks during the closing dinner about the current political landscape.



Lori Frasier, Sarah Palmer, Amy Gross and Brian Eschmann met with Rep. Joe Neguse (D-CO), pictured at center.



Allen Snelling, Chris Lerma and Matthew Iacobucci met Rep. Earl Blumenauer (D-OR), second from right.



Kara Miyasato, Lisa Fleischer, James Cress and Josh Kessler on the balcony of the Rayburn building with Rep. Fred Upton (R-MI), pictured at center.



Rep. Jason Smith (R-MO), second from left, met with Kimberly Montgomery, Laura Mosness and Mike Romanowski.



Thomas Pericak, Andrew Kemmerer, Jesse Johnson, Brittany Ogden and Randy Haug met with Rep. David Schweikert (R-AZ), pictured third from left.



Todd Anderson and Brian Fleming (at left) sat down with Rep. Mark Walker (R-NC) and a member of his staff.

New York Legislation Targets All Commercial Financing

NEW YORK SENATE BILL 5470 was introduced “to require greater transparency from commercial financing providers consistently across financing products” with an emphasis on commercial financing disclosures for recipients who do not intend to use the financing primarily for personal, family or household purposes. Introduced by Senate Consumer Protection Committee Chairman Sen. Kevin Thomas (D-Nassau), SB 5470 has been referred to the Senate Banks Committee, on which he serves as a member.

Inspired by California SB 1235, much of SB 5470 is dedicated to the definitions section with the following being two examples:

- Commercial financing means an account receivable purchase, future receivables purchase, commercial line of credit or commercial loan, the proceeds of which the recipient does not intend to use primarily for personal, family or household purposes. For purposes of determining whether a financing is a commercial financing, the provider may rely on any statement of intended purposes by the recipient. The statement may be a separate statement signed by the recipient; may be contained in the financing application, financing agreement or other document signed or consented to by the recipient; or may be provided orally by the recipient so long as it is documented in the recipient’s application file by the provider. Electronic signatures and consents are valid for purposes of the foregoing sentence. The provider shall not be required to ascertain that the proceeds of a commercial financing are used in accordance with the recipient’s statement of intended purposes.
- Commercial loan means a closed-end extension of credit, secured or unsecured, the proceeds of which the recipient does not intend to use primarily for personal, family or household purposes.

ELFA’s concerns with this legislation have been shared with the sponsor and ELFA will continue to monitor this legislation closely, making certain our interests are promoted and protected.

Florida Vicarious Liability Fix Passes and Is Signed into Law

Florida Senate Bill 862 by Senate Judiciary Committee member Sen. Kelli Stargel (R-Polk & Lake County) was signed into law on June 18, 2019, by Gov. Ron DeSantis. Opposed by the Florida trial bar, this important industry liability reform overcame its final hurdle, passing the House on April 30 by a vote of 83-32.

ELFA has joined forces with member companies in the construction and agriculture sectors, the Florida Chamber and the Florida Justice Reform Institute to proactively amend Florida’s Dangerous Instrumentality Doctrine (DID), which through judicial fiat had been expanded to a degree of absurdity not seen in another state, putting any lessor of equipment in or into Florida at risk. ELFA and allied organizations worked to ensure that final language and passage of this corrective legislation addresses our concerns as financiers and/or lessors. Senate Bill 862 was filed together with Florida House Bill 355 to restore normalcy by addressing lessor liability specifically for “special mobile equipment,” as defined below.

“Special mobile equipment” is defined as “any vehicle not designed or used primarily for the transportation of persons or property and only incidentally operated or moved over a highway, including, but not limited to, ditchdigging apparatus, well-boring apparatus and road construction and maintenance machinery, such as asphalt spreaders, bituminous mixers, bucket loaders, tractors other than truck tractors, ditchers, leveling graders, finishing machines, motor graders, road rollers, scarifiers, earthmoving carryalls and scrapers, power shovels and draglines, and self-propelled cranes and earthmoving equipment. The term does not include house trailers, dump trucks, truck-mounted transit mixers, cranes or shovels, or other vehicles designed for the transportation of persons or property to which machinery has been attached.” Fla. Stat. §316.003(75).

The DID specifies factors to be considered by a court in determining, as matter of law, whether instrumentality is dangerous instrumentality; provides that special equipment for which a lessee maintains specified insurance is not dangerous instrumentality; provides that a lessor may be liable for damages in specified circumstances; and provides that person is not liable for any injury, death or damage caused by dangerous instrumentality unless the person had direct custody and control over instrumentality at time of injury, death or damage. [E](#)



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

Your Summer Reading List: Review the Latest Industry Data

WITH THE ADVENT OF A BUSTLING FALL JUST AROUND THE CORNER, summer can be a prime opportunity to catch up on recent publications on the \$1 trillion equipment finance sector. With over 22 data-driven studies published in the first half of 2019 alone, the Equipment Leasing & Finance Foundation has many invaluable reports now available to propel you and your business forward.



2019 Publications include:

- 2019 Industry Future Council: Embracing Innovation
- Robots, Cobots, and Finance
- Independents: Banking on the Non-Banks
- The Impact of New Energy Production Technologies on Equipment Finance
- 2018 Equipment Leasing & Finance Industry Horizon Report



Also, don't miss the Spring 2019 *Journal of Equipment Lease Financing*. Articles include:

- Transitioning from LIBOR to a Replacement Rate Index: What Steps Should Lenders Take Now?
- Financing Robotics: Scoping the Opportunity
- Analyzing U.S. Cannabis Laws and Their Impact on Financial Services
- A Valentine's Day Massacre of Liquidated Damages: In re Republic Airways Holdings



The 2020 Equipment Leasing & Finance U.S. Economic Outlook will be released this December. Visit the Foundation's digital library to access these reports and many more—for FREE—for www.leasefoundation.org.



Second Annual Day of Giving Campaign Achieves Record Support

In celebration of its 30th Anniversary, on June 4 the Foundation launched its second annual Day of Giving. With the support of both individuals and corporations, the Foundation attracted 100 new donors and raised over

\$33,000, surpassing the goal! A sincere thank you to our generous donors and volunteers who supported this exciting effort, making a lasting impact on the equipment finance industry!

Join the Conversation

Don't get left behind! Stay up-to-date on the latest industry data intelligence by following the Foundation on your favorite social media platforms:

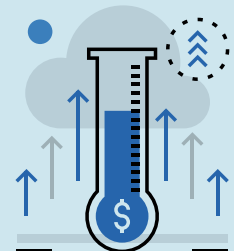
- Twitter:** www.twitter.com/LeaseFoundation
- Facebook:** www.facebook.com/LeaseFoundation
- LinkedIn:** www.linkedin.com/company/10989281/
- Vimeo:** www.vimeo.com/elffchannel

To remain even *further* ahead of the curve, donate to the Foundation to receive early access to invaluable reports and studies. Visit www.leasefoundation.org/giving to learn more about individual and corporate benefits. ☰

ANNELIESE DEDIEMAR is the Equipment Leasing & Finance Foundation's Director of Marketing and Communications.

SAVE THE DATE!

To receive donor benefits during the 2019 ELFA Annual Convention, **make your pledge by Aug. 15.** Donations can be made online by visiting www.leasefoundation.org/giving/online/.





Navigating a New Normal

THE SPEED OF BUSINESS is increasing at an incredible pace, which means those of us in the financial services industry need to move even faster to keep up. At Stearns Bank, we've taken a number of steps in recent years to stay ahead of the curve. Here are just a few of our key learnings:

Adapting to Changes

We know time is of the essence for people who are looking to purchase equipment for their business.

Investing in an online portal, DocuSign, and speeding up the financing process is what we have focused on in recent years.

We have technology that offers accessibility and security. In fact, we have an entire department in StearnsConnect that monitors our customers' security on an ongoing basis.

Our technology initiative has led to customers being funded for their equipment purchases in three hours or less. Without technology, it wouldn't be feasible.

We can tweak and adjust a deal based on our customers' needs. I know people are averse to change. With that being said,

you can add convenience and speed in a safe environment by adapting to that change. Why go back and forth with emails or fax machines when you can click a few items and be on your way?



Keeping What Works

Some things don't change. We still answer customer calls on the first ring. We know not everything can be translated with technology. When our customers are calling, we're going to pick up right away.

At Stearns Bank, we've recently invested in ourselves and made further commitment to provide best-in-class customer service. Over the past year at our Equipment Finance Division, we've added more than 100 employees—a 50% increase in our team—and an 11,000-square-foot expansion. We now have 40,000-square feet in which to operate in a state-of-the-art building in central Minnesota, providing sales and service to our growing nationwide customer base.

This new building is in Albany, Minnesota. It has a small hometown feeling that reflects in the way we work with our customers. That is has been part of the secret sauce that has made Stearns Bank successful from the start.

So, while it's important to change with the times and stay current on new innovations, it's important not to lose touch with what made you great in the first place. ☰

ISAAC FLENNER is Director of Equipment Finance and New Market Lending at Stearns Bank.



Great opportunities demand smart lending and customized solutions.

Capital One® Financial Institutions Group provides businesses the needed capital and expertise to thrive.

Capital One's commercial lender finance specialists use sector knowledge, data analytics and industry trends to give your business an advantage. Backed by the capabilities of a top 10 U.S. bank*, we lend capital to help companies stay ahead of the competition.

Our financing solutions include:

- Asset-based lending and factoring
- Equipment finance
- Small business finance
- Insurance premium finance
- Floor plan finance

To see how to maximize business potential, contact a lender specialist today.

capital.one/financialinstitutions

Commercial Lender Finance Specialists:

Matt Tallo

Managing Director
646-836-5053
matt.tallo@capitalone.com

Brian Talty

Managing Director
646-231-9107
brian.talty@capitalone.com

Note: Rank excludes banks with high non-loan asset concentrations: Goldman Sachs, Morgan Stanley, BONY, State Street, Charles Schwab. Ranks as of 12/31/2018. Based upon total gross loans and total aggregated domestic deposits for bank holding company. Sources: SNL, FDIC, company reports. Subject to credit approval. Additional terms and conditions apply. Products and services offered by Capital One, N.A., Member FDIC. © 2019 Capital One.



The product.



The platform.

**The Odessa platform isn't one thing,
it's everything.**

A lease management product is critical, but it isn't enough. The Odessa platform brings system configuration, app development and test automation into one seamless platform. Eliminate workarounds by unifying IT and business. Work smarter, scale faster. Building your business your way? In leasing, that means everything.

odessa

odessainc.com