Laundry equipment financing made easier

Manufacturer-sponsored financing offers knowledge, experience and ease

BY MATT POE, EDITOR

CHICAGO — In recent years, laundry operations in need of new equipment or upgrades have found it more difficult to obtain financing, according to some industry experts.

That has left some owners and managers in a bind to replace outdated or broken machinery, or to start up a new plant or an on-premises laundry (OPL).

And the owners and managers have had to find new, creative ways to finance capital purchases.

The method that has made equipment purchases possible when commercial banks wouldn't provide financing? Manufacturer-sponsored finance programs.

"The mere existence of today's manufacturer-sponsored finance programs is the result of an unwillingness and lack of understanding by typical commercial banks 25 years ago," says Kirk Stone, vice president-vendor group, U.S. Capital Corp. "Lenders like U.S. Capital and our competitors know the laundry business and spend the majority of our time and resources assisting owners and prospective owners with competitive financing solutions to help them get the equipment they need to operate their businesses efficiently. Very few banks will offer start-up financing unless they secure the loans with mortgages on other unrelated properties, etc."

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"Equipment companies have developed relationships with third-party finance companies," adds Keith Ware, vice president of sales with Lavatec Laundry Technology. "This allows laundries to deal with lenders that understand the equipment, its value and life cycle."

Tina Gough, UniMac finance brand manager for Alliance Laundry Systems, says that for the laundry industry, it's difficult to determine the value of the business and how much that equipment is worth.

"Manufacturers that specialize in the laundry industry, they know how to analyze that market and the value of the business, the

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equipment and all of that," Gough says. "They know how to lend against that piece of collateral easier than a commercial bank does, or a financial institute or market does."

"We understand the business and know what questions to ask," adds Stone. "Our credit box tends to be a little wider than a bank. For experienced operators, it is possible to borrow 100% of the equipment order with very limited financial information required."

Gough says that for the customer, a laundry owner or manager, this knowledge makes it easier during the financing process.

"[Customers] don't have to jump through as many hoops and processes with manufacturers of the equipment," she says.

Pamela Kuffel, international sales manager and consumer financing specialist with Continental Girbau, adds that manufacturer-sponsored financing is convenient because financing, service, support and warranty are all provided under one umbrella. Plus, she says that manufacturers have extremely competitive and flexible financing available.

"At Continental, we offer the full gamut of services. Financing is one component that makes the purchasing process more seamless. We have the relationship with the lender, distributor, and the customer. We can help bridge any gap between them," says Kuffel. "This helps with the strength of each deal."

For new investors, Stone says manufacturer-sponsored financing is the best solu-

"You don't have to make an appointment to go out and meet with a loan officer at an institution," she says. "They can do it wherever they are. It can all be done with the click of a button."

With U.S. Capital Corp., Stone says that for an existing owner who has been in business for a while, it is possible to borrow up to $100,000 with just a simple credit application and copy of three months of bank statements. For new investors and start-up laundry projects, he says the company will ask for more information than for simple equipment-replacement orders.

"We are fortunate to work with a number of high-quality and reputable commercial laundry distributors," says Stone. "They play a big role in our new project review process by providing everything from help with site selection, lease negotiations, layout, analysis, pro formas and a project summary write-up that tells us about the competition, surrounding businesses and photos of the project to give us a feel for the location."

How does a laundry owner or manager, or someone looking to start a laundry, go about securing manufacturer-sponsored financing? The process is not difficult.

"I would start with a phone call to the finance department, as your background in the industry helps determines the program that best fits your needs," says Kuffel. "Then from there, the manufacturer can help you put together a complete finance package, which always starts with a credit app and financial package."

Gough says the steps for her company differ a little bit, dependent upon the dollar amount of the transaction. If the loan is under $100,000, then it is the one-page application mentioned earlier. They run tion to helping them get into the business. Manufacturers know how to evaluate new projects by using tools such as demographic reports, cash-flow projections based upon the demographic information for the proposed location as well as analysis of the competition surrounding the location, he says.

> **"SOMETIMES WE'LL SEND THE LOAN DOCUMENTS OUT WITH [A ONE-PAGE APPROVAL] TO STREAMLINE [THE PROCESS]."**
>
> *—TINA GOUGH*
> *UNIMAC/ALLIANCE*
> *LAUNDRY SYSTEMS*

"Your typical bank makes decisions on existing revenues of a business, which do not exist with a start-up project," Stone adds.

Kuffel says, "I would argue that the financing through the manufacturer helps build a strong case for the financing, as we usually have visited the site, customer, business, etc."

Even the process itself is simpler when it comes to financing through a manufacturer. Gough says with Alliance, it's a simple one-page application for a loan under $100,000. If the applicant's credit is above a certain parameter, then they're approved, she adds.

"When we get an application, we are able to process it and get an answer within 24 hours," says Gough. "[Banks] are not familiar with the industry or the business, so it causes them to have to look at and scrutinize the application more than what we do because this is all we specialize in. This is all we do."

Another difference Gough notes between her company and banks is that everything can be done by fax or e-mail.

credit, and if the credit is acceptable, then the customer is approved. She says Alliance requires a signed sales proposal from the distributor or the customer.

After that, the company sends out a one-page approval with the terms and conditions of the loan, the rates, the term, to whom it's made payable, to whose name the loan is going to be in and who's going to be signing.

"Sometimes we'll send the loan documents out with that approval to streamline it," says Gough. "The customer will sign everything, send back the originals and once we get everything, the distributor will install the equipment at the location."

Once the equipment is installed, Gough says Alliance calls the customer to make sure all is good to go, then funds the loan. At that point, the customer begins to pay on the loan.

Gough says that if the transaction is over $100,000, then the company will need some additional information from them.

"We require [a] personal financial statement, tax returns, bank statements and then we start analyzing the location as well," she says. "We do some internal analyzing of the location with the equipment mix."

Even if the financing sought is over $100,000, Gough says it's still just 48 to 72 hours for the customer to know whether or not they've been approved.

"The turnaround is really quick, because they are wanting to know if they're approved—and we want to make sure they're not going to go to the competition," says Gough. "A lot of times, if they're an OPL market, their equipment's down. They don't really have time to mess around. They need to get that approval and they need to get that equipment in so they can continue functioning their business behind the scenes."

There are steps that a laundry can take

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before working with a manufacturer that can make the approval process go more smoothly, say Gough and Stone. These include having a higher credit score, organized financial records, good pay histories on existing obligations and a positive bank balance.

"I would say cash flow is key when it comes to laundry owners and making sure that they're able to handle the debt. I would direct them to really try to get their financ-

Gough says. "You want to be able to show that you're operating within the income levels that you have, you're showing that you have a positive cash flow and that you're able to take on the debt that you're wanting to keep the business up and operating and in good shape."

Stone says it is also a good idea for a laundry owner to be prepared "and willing" to invest some of the business' capital into the project.

"While it is possible to finance up to 100% of the equipment order, we expect the borrower to be able to invest their own capital to cover leasehold improvements including such things as electrical, plumbing, mechanical work, permitting, etc.," he says.

aware of the requirements for financing, as well as make sure guidelines are understood and met, Kuffel says.

"Please be aware that the lender wants to get the full story, and any details you can provide other than the numbers is very helpful," she adds. ALN