

Leasing Company Credit & Collateral Review

Lavallee & Associates was hired by a regional bank to review the credit and collateral review processes of a start-up equipment leasing company prior to the funding of their working capital line and term loan. Additionally, the bank requested Lavallee & Associates develop a process for the submission and retention of the lease collateral documentation.

During the review, Lavallee & Associates met with key members of the company who would be active in the day-to-day funding of equipment leases. Since this was a start-up, there were no funded leases and related documentation to review. Instead, the company walked Lavallee & Associates through a "day in the life of a lease" based upon test information in their credit scoring and documentation generating computer system. With the company, a credit and documentation checklist was compiled which allowed the lender to easily review and verify that the company was in compliance with the credit policies.

In terms of collateral retention, Lavallee & Associates developed time lines and transmittal forms for the initial submission of collateral with the lender, the movement of collateral from the working capital line to the term loan, and pay-out of a lease. Suggestions were provided to the bank relating to the creation of tracking ticklers for UCCs, titles and insurances relating to the leased equipment.

Finally, Lavallee & Associates suggested the review and audit of company reports by the bank at pre-determined intervals as well as collateral audit procedures the bank may consider.

Since the initial analysis, the bank has funded the working capital line and the term loan. Lavallee & Associates has returned to the leasing company to review proposed changes to their policies, forms, collateral housing and maintenance at the request of their lender.