



Frequently Asked Questions About Leasing

1. Why would I want to lease equipment?

It's an excellent way to reduce costs, improve cash flow, avoid equipment obsolescence, free up capital and maximize tax advantages.

2. What kind of organization should use leasing?

Organizations of all sizes find benefits in leasing equipment. Farm Credit Leasing Services Corporation (FCL) serves agribusinesses, ag producers, agricultural cooperatives and rural communications and energy companies.

3. What kind of equipment can I lease?

FCL leases a wide range of equipment that is essential in the business operations of our customers. You may choose any make or model, new or used, available through any vendor, or ordered through FCL.

4. Are purchasing discounts and selection assistance available for equipment?

FCL offers one-source specification and pricing comparisons, volume purchasing discounts, equipment protection and selection assistance on transportation and material handling equipment.

5. What's the difference between a lease and a loan?

Rather than money, a leasing company lends the use of equipment or machinery and you pay a periodic lease rental or payment. In essence, you only pay a usage fee for the equipment as it is used rather than paying interest on a loan. Finally, you typically treat a lease differently for accounting and tax purposes.

6. What are my obligations for the equipment (such as insurance, taxes and maintenance) during the lease?

You are obligated to pay the rentals in a lease, and must pay all taxes, insurance premiums and maintenance costs related to the equipment, throughout the term of the lease.

7. Can I upgrade the equipment or add equipment under this lease?

The ability to easily upgrade equipment is one of the advantages of leasing. Leasing with FCL does not lock you in to obsolete equipment. A new contract may be set up. FCL may adjust one or more of the components of the lease including term, residual, and rental payment to account for the cost of the upgrade and the additional life of the upgraded leased asset.

8. What is the total lease payment and are there any other costs that I could incur before the lease ends?

Generally, you are responsible for the lease payment. Plus, you pay operating costs as if you own the asset. Operating costs include maintenance, sales and property taxes, license, registration and insurance. There is occasionally a special usage fee built into the lease that FCL bills to the customer on certain types of equipment. This usage fee is discussed with the customer and agreed upon at the beginning of the lease term.

9. What happens if I want to change this lease or end the lease early?

FCL handles changes and early terminations on a case-by-case basis. An FCL lease is non-cancellable; therefore, you are fully obligated to make all payments under the lease over the entire lease term. However, we will work with you to make changes and terminations that your business requires.

10. What procedures must I follow if I choose to return the equipment?

Notify FCL 90 days prior to the end of the lease term (or as indicated in the lease documents) that you will be returning the equipment. Inspect the equipment to ensure that its condition is the same as when the lease was initiated, excepting normal wear and tear. Make repairs if needed. And finally, deliver the equipment to a location specified by FCL.

11. Are there any extra costs at the end of the lease?

FCL charges a remarketing fee for transportation equipment with a Terminal Rental Adjustment Clause (TRAC). Other than that fee, there are no fees charged at lease end, provided the equipment is returned in the condition as stated in the lease.

12. What happens to the equipment at the end of the lease?

At the end of the lease, you may purchase the equipment, return it to FCL, or you may renew the lease. All FCL leases have end-of-lease purchase options. The option varies with the type of equipment.

13. Why should I choose Farm Credit Leasing?

Farm Credit Leasing specializes in leasing to the nation's agricultural producers, agribusinesses and rural communications and energy companies. We understand your business, our rates are competitive and our terms are flexible.

To learn more, contact your loan officer or visit FarmCreditFL.com to find the nearest Farm Credit office.

For the type of lease that is right for you, please consult with your accountant.

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