

5 STAGES OF CREDIT REVIEW





FINANCING REQUEST

An equipment dealer approaches a lender with a financing request. The dealer sells new and used equipment in addition to equipment rentals; however, the inventory shortages and supply chain issues resulted in their keeping a larger rental fleet necessary to support their clients.

They inquire about financing four pieces of equipment and freight, requesting **a total of \$506,686** and submit an application for financing.



FINANCING REQUEST: APPLICATION SUBMITTAL

COMPANY INFORMATION				
Company Name: Equipment Sales and Rental Co			E-mail: esrc@equipment.com	
Company Address: 123 Example Rd		City: Example	State: VA	Zip: 12345
Signer: Equipment Guy		Title: President	Tel #: 111-222-3333	Federal Tax ID: 54-3351234
Type of Business: <input type="checkbox"/> Non-Profit <input type="checkbox"/> Proprietorship <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> Corporation		# of Years in Business: 13	Fax #:	Annual Revenue: 17,512,157
INFORMATION ON OFFICERS, PARTNERS OR GUARANTORS				
Name: Equipment Guy		Title: President	SSN:	% Ownership: 100
Home Address: 345 Example Rd		City/State: Example/VA	Zip: 12345	Home Phone: 111-222-3333
Name:		Title:	SSN:	% Ownership:
Home Address:		City/State:	Zip:	Home Phone:
LEASE/LOAN REFERENCES				
Name:	Original Amount:	Loan Acct. #:	Tel #:	Contact:
Name:	Original Amount:	Loan Acct. #:	Tel #:	Contact:
VENDOR INFORMATION				
Equipment Manufacturer INC				
EQUIPMENT DESCRIPTION (MAKE, MODEL, YEAR)				
4 New Excavators				
EQUIPMENT COST				
~\$500,000				



FINANCING REQUEST: INVOICE REVIEW

Equipment Manufacturer INC
12345 Example St, Example, TX, 12345
Phone: (123)234-4435 Fax: (123)454-3333
eMail: manufac@example.com Federal Tax ID :
12-333333

Invoice

SOLD TO: 111111 COMPANY Equipment Sales and Rental Co 123 Example Rd Example, VA, 12345	SHIP TO: COMPANY Equipment Sales and Rental Co 123 Example Rd Example, VA, 12345
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Invoice NO: 12345678 Order Number: 1234567891 Delivery Order: 12345667 Invoice Email To: esrc@equipment.com	Invoice Date: 07/30/2021 Payment Terms: Ship: By Road
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Item	Material NO.	Description	PO Ref.	Sales Qty	Unit Price USD	Net Amount USD
1	12344455 (12334gdfgr4545)	Excavator PO: Signed Order Confirmation S/N: 123234324325hvjshkh34 Equipment Description...		1	124,995.00	124,995.00
Subtotal						124,995.00
Total						124,995.00

Total Amount: US Dollar One hundred twenty-four thousand nine hundred ninety-five and zero cents only.

WARRANTY:
TRANSPORTATION: UNIT LOCATED AT DESTINATION
EXW: COMPANY Equipment Sales and Rental Co, 123 Example Rd Example, VA, 12345
PAYMENT TERMS:

Thank you for choosing Equipment Manufacturer INC

Address: Equipment Manufacturer INC 12345 Example St, Example, TX, 12345 Phone: (123)234-4435 Fax: (123)454-3333	BANK WIRING INSTRUCTIONS: Wire Instructions
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Equipment Manufacturer INC
12345 Example St, Example, TX, 12345
Phone: (123)234-4435 Fax: (123)454-3333
eMail: manufac@example.com Federal Tax ID :
12-333333

Invoice

SOLD TO: 222222 COMPANY Equipment Sales and Rental Co 123 Example Rd Example, VA, 12345	SHIP TO: COMPANY Equipment Sales and Rental Co 123 Example Rd Example, VA, 12345
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Invoice NO: 154545 Order Number: 14214244 Delivery Order: 42454545 Invoice Email To: esrc@equipment.com	Invoice Date: 07/30/2021 Payment Terms: Ship: By Road
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Item	Material NO.	Description	PO Ref.	Sales Qty	Unit Price USD	Net Amount USD
1	12344456 (12334gdfgr4546)	Excavator PO: Signed Order Confirmation S/N: 123234324325hvjshkh34 Equipment Description...		1	124,995.00	124,995.00
Subtotal						124,995.00
FREIGHT CHARGES:						3,800.00
Total						128,795.00

Total Amount: US Dollar One hundred twenty-eight thousand seven hundred ninety-five and zero cents only.

WARRANTY:
TRANSPORTATION: UNIT LOCATED AT DESTINATION
EXW: COMPANY Equipment Sales and Rental Co, 123 Example Rd Example, VA, 12345
PAYMENT TERMS:

Address: Equipment Manufacturer INC 12345 Example St, Example, TX, 12345	Email: manufac@example.com Federal Tax ID : 12-333333	BANK WIRING INSTRUCTIONS: Wire Instructions
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FINANCING REQUEST: INVOICE REVIEW

Equipment Manufacturer INC
12345 Example St, Example, TX, 12345
Phone: (123)234-4435 Fax: (123)454-3333
eMail:manufac@example.com Federal Tax ID :
12-333333

Invoice

SOLD TO: 123123
COMPANY
Equipment Sales and
Rental Co
123 Example Rd
Example, VA, 12345

SHIP TO:
COMPANY
Equipment Sales and
Rental Co
123 Example Rd
Example, VA, 12345

Invoice NO. 5454544 Invoice Date: 07/30/2021
Order Number: 5564545 Payment Terms:
Delivery Order: 45645675 Ship: By Road
Invoice Email To: esrc@equipment.com

Item Material NO.	Description	PO Ref.	Sales Qty	Unit Price USD	Net Amount USD
1	123444664 (12334qdtgr14646) Excavator PO: Signed Email Agreement S/N: 43843557Hqhgthg Equipment Description...		1 PC	75,000.00	75,000.00
Subtotal					75,000.00
3% FREIGHT CHARGES:					3,626.00
Total					78,626.00

Total Amount: US Dollar Seventy-eight thousand six hundred twenty-six and zero cents only.

WARRANTY:
TRANSPORTATION: UNIT LOCATED AT DESTINATION
EXW: COMPANY Equipment Sales and Rental Co, 123 Example Rd Example, VA, 12345
PAYMENT TERMS:

Address: Equipment Manufacturer INC
12345 Example St, Example, TX,
12345
Phone: (123)234-4435 Fax:
(123)454-3333Page:1/2

Email:manufac@example.com
Federal Tax ID :
12-333333

BANK WIRING INSTRUCTIONS:

Wire Instructions

Equipment Manufacturer INC
12345 Example St, Example, TX, 12345
Phone: (123)234-4435 Fax: (123)454-3333
eMail:manufac@example.com Federal Tax ID :
12-333333

Invoice

SOLD TO: 6666664
COMPANY
Equipment Sales and
Rental Co
123 Example Rd
Example, VA, 12345

SHIP TO:
COMPANY
Equipment Sales and
Rental Co
123 Example Rd
Example, VA, 12345

Invoice NO. 42424545 Invoice Date: 2022-02-28
Order Number: 454545454 Payment Terms: Ship:
Delivery Order: 2636583 By Road
Invoice Email To: esrc@equipment.com

Item Material NO.	Description	PO Ref.	Sales Qty	Unit Price USD	Net Amount USD
1	123444664 (12334qdtgr14646) Excavator PO: Signed Order Confirmation S/N: 43843557Hqhgthg Equipment Description...		1	169,000.00	169,000.00
Subtotal					169,000.00
3% FREIGHT SURCHARGE:					5,073.00
Total					174,073.00

Total Amount: US Dollar One hundred seventy-four thousand seventy and zero cents only.

WARRANTY:
TRANSPORTATION: UNIT LOCATED AT DESTINATION
EXW: COMPANY Equipment Sales and Rental Co, 123 Example Rd Example, VA, 12345
PAYMENT TERMS:

Address: Equipment Manufacturer INC
12345 Example St, Example, TX,
12345
Phone: (123)234-4435 Fax: (123)454-3333

Email:manufac@example.com
Federal Tax ID :
12-333333

BANK WIRING INSTRUCTIONS:

Wire Instructions





CREDIT UNDERWRITING

The lender's credit team reviews the application and finds the following details:

Due Diligence:

- The Secretary of State and PayNet verified the company's legal name and time in business
- Website review and Google search confirmed business address and validity

Credit Review:

- A 706 PayNet (considered an-above average score)
- Multiple commercial trades aged over 18 months
- A high-credit trade of \$798,936
- Some 31+ slow payments
 - None since 2019
 - All of which were isolated to a single credit card (*listed as a write-off*)

Financial Review:

- Bank statements provided showed strong cash balances, appropriate ratios, and monthly deposits that support monthly debt obligations and this financing request

Asset Management Review:

- Asset management reviews the asset and determines the value sufficient and in line with the credit request



CREDIT UNDERWRITING: SECRETARY OF STATE REVIEW

Equipment Sales and Rental Co, Inc	
VA Taxpayer Number	12454544
Mailing Address	123 Example Rd, Example, VA, 12345
Right to Transact Business in Texas	ACTIVE
State of Formation	DE
Effective SOS Registration Date	08/28/2009
VA SOS File Number	12324356
Registered Agent Name	C T CORPORATION SYSTEM
Registered Office Street Address	345 Example Rd, Example, VA, 54567

<u>File Number:</u>	1234566	<u>Incorporation Date / Formation Date:</u>	8/10/2009 (mm/dd/yyyy)
<u>Entity Name:</u>	Equipment Sales and Rental Co, Inc		
<u>Entity Kind:</u>	Limited Liability Company	<u>Entity Type:</u>	General
<u>Residency:</u>	Domestic	State:	DELAWARE
<u>REGISTERED AGENT INFORMATION</u>			
Name:	THE CORPORATION TRUST COMPANY		
Address:	CORPORATION TRUST CENTER 1209 ORANGE ST		
City:	Example	County:	Example
State:	DE	Postal Code:	12345
Phone:	123-456-5567		



CREDIT UNDERWRITING: PAYNET REVIEW

PAYNET SCORE: **706**

LAST TIME DELINQUENT: **2019**

HISTORICAL & RECENT DAYS PAST DUE : **0**



CREDIT HISTORY REPORT PLUS

Company Name	Equipment Sales and Rental Co	PayNet MasterScore® v2	706
Management	Equipment Guy, Manager	Percentile	73 (Above Avg.)
Address/Phone	123 Example Rd. 59 Example, VA 12345 (111) 222-3333	Key Factors in MasterScore v2	Impact on Score
Address Type	Street Address	Large Business Size with Extensive Borrowings	positive
Metro Area	Example, VA	Short Time in Business	negative
Tax ID #	****1234	Recent / Overall Prompt Payments	positive
PayNet ID	xxxxxxx	Recent Avg Days Past Due	0
Ownership Structure	Unknown	Historical Avg Days Past Due	0
Location Type	Single Entity	Total Outstanding Receivable	\$2,193,804
Year Started	2009	Annual Sales	\$3,128,000
Years in Business	13	Number of Employees	6
Oldest Contract	July 2011	Total Outstanding per Employees	\$365,634
SIC Codes	7359 - EQUIPMENT RENTAL AND LEASING, NEC 5521 - USED CAR DEALERS 5511 - NEW AND USED CAR DEALERS	Annualized Scheduled Payments	\$582,466
Primary Equip	CNST-Construction & Mining	Losses / Write-offs Reported	\$73,880

PAYMENT SUMMARY

	Occurrences	Last Time This Delinquent	Outstanding Receivable	Percent of Outstandings	Payment Past Due
Current			\$2,193,804	100%	
1 - 30	0	Never	\$0	0%	\$0
31 - 60	2	2/19	\$0	0%	\$0
61 - 90	0	Never	\$0	0%	\$0
91+	0	Never	\$0	0%	\$0
Total 31+	0		\$0	0%	\$0
All Accounts	Due To Date = 415		\$2,193,804	100%	

Gross Original Receivable	\$3,195,037	Number of Open Contracts	11
Outstanding / Original Receivable	68%	Number of Closed Contracts	3
High Credit Ever Outstanding	\$2,548,894	Average High Credit Per Lender	\$573,554
Outstanding / High Credit Ever	86%	Average Term Months	56





CREDIT APPROVAL

The Lender approved the financing request, and communicated a notice of approval to the customer. Pricing details were finalized, and documents were generated for the transaction.

Contract Terms & Pricing:

60-Month Term

No Down Payment

6.35% Rate

- Approval conditioned upon a UCC search
- The lender requires Subordination Letters from each Creditor who may have interest in the equipment





UCC SEARCH RESULTS

The UCC Search came back with over 50 active UCCs filed against the business.

- UCC types included original filings, continuations, and amendments.
- A review of the UCCs concluded that **eight UCCs require Subordination Letters**, as the UCC language indicated interest in the four equipment pieces included in the finance request.

Language for these eight UCCs included:

Assets incl Proceeds & Products

Vehicles incl Proceeds & Products

Inventory incl Proceeds & Products

Fixtures incl Proceeds & Products

Computer Equipment incl Proceeds & Products

Equipment incl Proceeds & Products

Machinery incl Proceeds & Products

Chattel Paper incl Proceeds & Products

Gen Intangibles incl Proceeds & Products

Contract Rights incl Proceeds & Products

Accounts incl Proceeds & Products





ADDITIONAL CONSIDERATIONS

The Lender submitted requests for **five** subordinations. Three Subordination Letters came back immediately; however, two posed challenges.

- Two of the UCCs were for contracts and obligations that had already been satisfied; however, the Creditor hadn't filed the official UCC termination.

This situation delayed funding by several days, but was submitted and completed shortly after the request was made. The contracts funded upon receipt of the UCC terminations.

The vendor invoices were then paid, the transaction commenced, and the dealer has the ability to place a new order for the next batch of equipment.

