



Frequently asked questions about AgDirect® leasing.



Why would I want to lease equipment?

Equipment leasing brings many benefits to your business – it's an excellent way to reduce costs, improve cash flow, avoid equipment obsolescence, free up capital and gain tax advantages.

How can a lease save me money?

Lease payments cover only the portion of the equipment value to be depleted during the lease term, often resulting in lower lease payments compared to loan payments. Lower payments free up cash for other purposes within your business.

A lease, for instance, might allow you to finance only 60% of an asset's economic life. For example, a lease may be structured so that equipment costing \$100,000 may have a residual value of 40% at the end of the lease. The lease payments cover over 60% of the equipment cost (\$60,000). At lease end, you have the option to purchase the equipment for the remaining 40% (\$40,000), return the equipment, or trade the equipment and roll your equity into a newer model.

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 pay interest on a loan. You typically treat a lease differently for tax purposes as well.

What types of leases are available?

Leases are classified as either true leases or conditional sales leases for tax purposes. With a true lease, you can deduct your full lease rental payment as an operating expense, rather than depreciating the asset. With a conditional sales lease, you take depreciation just as you would with a loan, while still benefiting from the traditional flexible financing offered in a lease.

What happens if I want to trade in my equipment before the lease ends?

With an AgDirect® lease, there is no early termination fee to trade in equipment or pay off your lease early as long as the payoff is under \$500,000. In addition, your trade equity may be applied toward the first payment on your new lease.

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What are my obligations for the equipment during the lease?

You are responsible for making the lease payment and all applicable operating costs, such as maintenance, sales and property taxes, license, registration and insurance. In addition, if hour limits apply, you will be responsible for any excess usage charges beyond the agreed upon hour limits.

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

All leases have end-of-lease purchase options listed on the lease agreement. One of our purchase option offerings is called a fixed purchase option (FPO). With an FPO, you may trade in at any time. Or, at the end of the lease, you may either purchase the equipment for the residual amount stated upfront or return the equipment to us.

What if I choose to return the equipment?

The most popular purchase option is called a purchase or review option (PRO). With a PRO, you may trade in at any time. Or, at the end of the lease, you may either purchase the equipment for the residual amount stated upfront or renew the lease (no walk away option). Simply notify us 180 days prior to the end of the lease term. Work with Farm Credit Leasing to schedule an inspection of the

equipment to ensure that its condition is the same as when the lease was initiated (except for normal wear and tear) and in accordance with the terms of the lease contract.

Can I lease a piece of equipment that I've already paid cash for or have a loan on?

Yes, if you have acquired the equipment in the current calendar year, then a purchase leaseback may be an option. A purchase leaseback is a good way to replenish working capital and increase tax deductions while taking advantage of a low AgDirect lease rate. With a purchase leaseback, AgDirect will write a lease on your equipment and will reimburse you the cash you originally paid for the equipment, or pay off your current loan or lease and apply the equity toward your new lease.

To learn more about AgDirect leasing solutions, contact AgDirect at 888-525-9805 or info@agdirect.com.

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