Non-Cancelable Rate Factor Lease
as compared to
RLC's Merchant Friendly Rental & FMV Lease Programs

One of the most common leases offered to merchants today are 48-month non-cancelable lease. This is the typical lease structure offered by ISO/MSP/Banks and the only real variable is the monthly amount, offering no flexibility for the merchant. Both the advantages and disadvantages to this type of lease are discussed below, along with RLC's more flexible alternative to the non-cancelable lease.

Revenue Sharing: Upfront Funding vs. Stream Funding - The non-cancelable lease provides larger cash amounts paid to the ISO/MSP/Bank at the inception of the lease but the revenue sharing stops there. With the RLC program, the ISO/MSP/Bank can earn more total dollars by sharing in the payment stream over the course of the lease.

As an example, if a lease payment of $49 per month is sold to the merchant, the ISO/MSP/Bank will typically net about $1,000 from the funding of that lease (the amount funded less the cost of the equipment and certain fees paid to the sponsoring bank). Using the same $49 monthly payment in RLC's program, the ISO/MSP/Bank can receive $25 per month from the monthly payment, an amount equal to $1,200 over the same 48 months. This equates to 20% more than the upfront funding. And that $25 monthly revenue sharing will continue if the merchant elects to continue leasing beyond the original term.

Other RLC scenarios offer an upfront payment of $100 per merchant while also providing a revenue share of $22 per month. This creates a total compensation of $1,156 during the 48-month term, which is still 15% greater than the one-time upfront fee included in the non-cancelable lease. The risk to the ISO/MSP/Bank in the RLC program, is that if the merchant stops making the monthly payment, the revenue sharing stops as well. And of course if the rental payments go beyond the initial term, the revenue continues!

Term – The non-cancelable lease is typically only offered for a 48-month term. RLC's programs offer a variety of terms for both the Rental and FMV Lease.

Cancellations - By definition, a non-cancelable lease does not provide for cancellations. This can be a major disincentive to a merchant and can often be a barrier to signing a lease or rental contract. In contrast, RLC's programs include a cancellation clause (for a fee), giving the merchant peace of mind should they need an "escape clause" in the event of unforeseen circumstances. The end result is more merchants will sign!

Credit Scoring - Of course credit scoring is a major part of any finance business. However, since the upfront funding of RLC's Rental/FMV contracts is far less than the amount funded in a non-cancelable lease, the risk exposure to the RLC is less. This allows for more merchants to qualify for a contract with RLC. Again, the result should be that more merchant contracts are signed!

End of Lease Options – At the end of a non-cancelable lease, the merchant generally has two options – buy the equipment at a specified amount (often $150 or more) or continue with the lease payments (which often automatically renews without notification to the merchant and no additional funding to the ISO/MSP/Bank). In RLC's financing models, those same two options are also available; however, RLC notifies the merchant of their options 60 days prior to the end of the term. The buyouts are often less than half of the purchase option offered under the non-cancelable lease option, and if the merchant elects to continue payments, the ISO/MSP/Bank can continue to share in the revenue. . And there is a third option – the merchant can return the equipment at no extra charge (other than the shipping charges back to RLC)!

Collections – Because of the increased risk associated with a large upfront funding, the collections procedure for the non-cancelable lease must be very strict and is often onerous and offensive to the merchant. Since RLC is not funding large amounts upfront, our risk is minimized, allowing a more moderate approach to collections. Additionally, our Cancellation clause (discussed above) reduces the number of collection accounts, minimizing the Collections efforts entirely. And rarely is the merchant offended!

Obviously, RLC's rental and FMV lease programs more merchant-friendly and can allow for greater revenue to the ISO/MSP/Bank. But they must believe in the processing contract being signed by the merchant and be willing to share the risk! Most often the reward will outweigh the risk!