

# Systems Applications in the Broker and Independent Lessor Segment

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Given the financial meltdown between 2007 and 2009, with many lessors withdrawing from the market, a host of new start brokerages were spawned in addition to the established originators. The ones that survived the wholesale withdrawal of funding have come out wiser and stronger and more determined than ever that they will be in charge of their own destiny.

To do that many have developed into niche markets so they can demonstrate added value with asset and market knowledge to the introducer process. Others have formed looser franchise groups which allow them to negotiate improved commission terms with funders. Many of those that did survive were able to use end of lease and tertiary income to keep the wolf from the door in the hard times. The recurring income stream of an "own book" is now seen by a number of brokers as a good way to counter balance and supplement month by month fee income.

Meanwhile the established independent Lessor market that has avoided both fraud and serious bad debt has seen dramatically improved margins as tier one funders reduced or withdrew their lease funding capacity altogether. But most independent lessors have had to be selective in how they grow as inward funding options have been reduced to using spare capacity from a maturing portfolio, block discount lines and receivables finance as a mix of funding tools.

Given this back drop what systems are needed to support the broker and independent Lessor market today?

Everyone needs to know how to price, whether working out margins as a Lessor and commission as a broker. Many of the mainstream lessors distribute our pricing system Freehand as a useful and flexible pricing tool. The challenge then comes down to whether you originate directly with customers or via dealers. Each will need their own method of being able to capture details on a quote, the prospective lessee/hirer and what they are financing. If you were dealing with engineering sales you are likely to be doing most of the leg work whilst markets more accustomed to a per use sales approach will be prepared to handle much of the finance sales process. So your point of sale data capture requirements will be different according to the market and channel you address.

What is true is that whether you broke a deal out subsequently or consider your own book you should have one proposal management process to manage the new business cycle. The key for all originators whether they have an own book or not is to have one centralised data base that holds all customer and supplier contact information. So whether you fund one deal with Lombard, ING or Arkle Finance and one as an own book deal you have a holistic view of your customer.

Some mainstream lessors have begun to recognise this by allowing direct links to their back office underwriting process. Much investment continues amongst bank lessors to reduce their cost of sale by enforcing the use of dedicated introducer portals. However, to ensure that funders are “open for business” they need to maintain a multichannel approach to allow their introducers to capture, maintain and control their customer data in one place.

So having got the customer data in one database we need to be able to see quotes given, what deals were underwritten, taken up or not converted. We also want to understand the assumed performance to date and identify any particular exposures and midterm or end of lease opportunities. Having strong analytical reporting services will allow you to go head to head with bank lessors performance reporting capabilities.

With links to your funding panel as a broker you should be able to see progress on deals at a glance. If you are running your own book then managing the proposal through a work flow driven underwriting process is crucial for the lower value and higher volume deals. Then you can produce completed documents for signing and add any

final asset and invoicing details. This can either be passed to the Lessor for payout or if on your own book allow you to pay the deal out within the same database allowing your contract management system to do your billing, collecting, arrears management and monthly reporting. One final element is the ability to manage your treasury funding with tools for credit lines such as block discounting. Auditors need to be able to see performance reports of their funding lines along with any replacement paper needed which will help both the independent Lessor and part time broker/funder manage the two way funding process to provide a complete picture.

With banks tending to subsume their leasing operations and Basil III rules raising questions over their available capital for lending to the leasing sector, both the more established broking and independent lessors need organisations that will develop to fill the vacuum left. The next generation of leasing professionals will not be trained by the banks. So to help them achieve sales, credit, operations and finance expertise and success they need qualified asset finance training and proven systems to direct and control the next generation in an increasingly uncertain and regulated world.

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