

Don't let the banks suffocate your business in today's environment!

Almost all businesses in New Zealand today, whether they be commercial, industrial or rural based, have a banking relationship with one of the big four Australian banks that dominate business here in New Zealand. Traditionally these banks provided a one stop shop for all finance requirements whether for business or private means.

In today's environment however if you have not diversified your finance portfolio away from this one stop "full wallet" policy, access to credit through the banks, even for many existing customers with good track records, particularly for business and commercial purposes, continues to be a major problem.

If, as an existing customer you are fortunate enough to get access to bank funding, all banks appear to be using any change in existing facilities, let alone on new lending, to seek additional guarantees, covenants, cross collateralization of securities, GSA security, reduced LVR's and generally more tighter conditions and more stringent rules to frustrate customers as we slowly emerge from the recent recession.

To date, access to alternative competitive non-bank, first tier funding has been very limited. However Global Pacific now has available two such products, both with different applications, to either be used individually or as a package to enable clients to consolidate or expand their finance portfolios away from their current bank provider, one product for fixed asset funding, and one for land and building funding, with both financiers providing considerable flexibility over current restrictive bank criteria.

Fixed asset funding

Fixed asset funding will enable a business to refinance or purchase new or upgrade existing fixed assets whilst at the same time releasing valuable equity available to the business and provide cheaper funding to replace an overdraft facility the business may have with their bank, using the fixed assets as stand alone security.

If the business owns land and buildings as well as specific fixed assets such as plant and machinery, the bank may have such assets cross collateralized, whether they have any specific charge over them or not, making it difficult to expand the business, raise additional working capital or purchase new or upgrade existing fixed assets.

Such specific asset financing provides the ability to borrow against the assets being purchased, or refinanced, without the requirement to leverage off land and building assets, be they business or private, and without eating into working capital.

Financing in this manner allows the freedom to upgrade equipment to remain competitive with improved technologies as well as reducing ongoing operating costs related to inefficient assets. This can also allow you to grow the business with a lesser equity injection, including :

- the ability to structure repayments to the cashflow over the life of the equipment.
- no requirement to have any property assets tied into transactions related to business assets
- having payments structured to suit business cashflow. For example, seasonal payments, interest only periods, balloon payments – all in relation to what is being financed, and the cashflow patterns of the business.

Key features of the fixed asset product

- Stand alone product – No collateral security required
- Will lend on cars, trucks, diggers, excavators, tractors, harvesters, balers, aircraft, buses, CNC machines/lathes, printing equipment or generic manufacturing equipment
- Loan size \$100,000 - \$10.0m
- Terms interest only or P & I options up to 10 years
- Interest rate 7.0% - 11.0% (depending on risk profile)
- Finance fees 0.25% - 1.0%
- Preferences for cash flow positive businesses.
- Clean credit required.
- Valuations not always required

Financing, or refinancing, of up to 100% can be provided for these types of assets, dependent on the strength of the individual business, although the expectation is generally for a 20-30% deposit for individual asset purchases.

For businesses with a substantial asset financing requirement i.e. fleets, or large asset holdings, facilities can be provided giving pre-approved limits allowing the freedom to purchase assets under specific guidelines. This may be through leveraging off a pool of assets to allow 100% financing, or through a set deposit requirement for each individual transaction, with both options providing surety with regard to funding lines, and the ability to purchase assets as and when needed.

An option to replace the bank altogether?

Land and building funding

Irrespective of whether or not the fixed asset product could have an application within a specific business, if it is felt that the bank is continuing to suffocate and stifle the business in today's current environment or is preventing expansion at a time when opportunities for such are most prevalent, as the finance industry finally begins to free up, and to compliment the fixed asset product and provide a "total solution" to facilitate a total move away from the bank, or simply as a stand alone refinance option, we now have available a new competitive non-bank, first tier funding package tailor –made for operating in today's climate.

Key features of the new land and buildings product

- Stand alone, first mortgage only product – no collateral security required, will allow second mortgages.
- Will lend on commercial, industrial and specialist residential properties -investment or owner occupied
- Up to 75% of lower of purchase price or valuation
- Loan size from \$200,000 - \$7.0m plus
- Terms from 1– 3 years
- Interest rates 9.0% - 10.5% (depending on risk profile)
- Finance fees 2.0%

- Interest only
- Valuers mortgage recommendation not essential
- Clean credit required
- Available for properties located nationwide.
- Nationwide list of acceptable valuers.
- Mortgage recommendation not essential

Should you or any of your clients or colleagues require finance of either or both of this type, albeit commercial, industrial, rural or specialist residential or finance of any description, please call me anytime on 021333011, or contact me via email.

Cheers



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