

To Lease or Not to Lease? That is the question!

Many merchants new to credit card processing will often be presented with a “Package” that includes Credit Card Services, Debit Card Services and Terminal Lease. Here is what you should know:



- **Third Party Leasing Companies.** Most ISOs (Independent Sales Organizations) use a third party leasing company to sell equipment. Many of these organizations hire independent contractors who choose to make a living primarily on leasing equipment. What does that mean to you? It means that after you sign the lease, there is a good chance that you may not get any service from that contractor in the future. He/she has already made a commission on your lease and has no further interest in being of service to you.
- **Most Leases are Non-Cancelable.** If you read a lease carefully, you will see that Third Party Leases are often written in a language much like auto leasing. In other words, if you lease a car and bring it back early, you still have to pay on the lease. It is the same with credit card terminals. Furthermore, most leasing companies specifically state that they have no responsibility to replace or repair your equipment should something go wrong. Many merchants enter into lease agreements thinking that they can get a warranty or service from the leasing company. This is rarely true.
- **Read the Small Print!** Many leases add fees for insurance and tax on top of the lease fee. You should be especially aware of agreements that give the lease company authority to debit your account for additional fees for insurance at their discretion. These fees can easily add \$5-\$10 to your monthly lease payment.
- **Do the Math!** A lease payment will often cost you far more than purchasing your equipment outright. If you pay \$25.00 per month for a terminal for 48 months, your terminal will cost you \$1,200.00 to purchase. That of course is before the “buy out” at the end of the lease agreement. Often, the buy out is 10% of the aggregate value of the lease, or 10% of the \$1,200.00. Some companies will even try to add the extra fees and tax to the aggregate value!
- **Keep your paperwork!** Many merchants lose track of their agreements over time and continue to pay monthly lease installments long after the lease term has expired. Don’t assume that your sales person or lease company will notify you at the end of your lease term. The lease company will continue to charge you, or even worse, renew your lease for another 48 to 60 month term! Be sure and send notice of intent to cancel or buyout at least 60 days prior to your lease expiration.

- **Ask Questions!** One of the most important things to ask when leasing or purchasing equipment is “Can I use this equipment with any processor?” Some terminals are proprietary to a specific processor or network. You could end up paying thousands of dollars for a terminal that you cannot use with any other processor should you choose to change providers. Remember, changing processors has nothing to do with that third party lease. Even if you buy new equipment, you will still be responsible for the lease terms in your agreement.

Be sure and ask lots of questions when considering leasing options. Also ask your sales person if they have a “same as cash” purchase option that will allow you to spread out payments for 3-6 months at no interest. If a sales person is very aggressive about leasing you equipment, Beware!

If you are already in a lease and are unsure of when your term expires, call the leasing company immediately and ask for a copy of your agreement. All leasing companies are required by law in most states to send you a copy of your agreement within 30 days of your request.