

Summer  
2015

# CLFP CIRCULAR

*News for Leasing and Finance Professionals*

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## In This Issue

Message from the President	Page 2
First Academy for Lease & Finance Professionals	Page 3
Incorporating Electronic Documents Into Your Business: Part 2	Page 4
Save the Date	Page 7
In the News	Page 7
New CLFPs and CLFP Associates	Page 8

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## Message from the President



**Brian Schonfeld, CLFP**

*Project & Information Manager*

**Pawnee Leasing Corporation**

Hello and thank you for reading this edition of the Certified Lease & Finance Professional (CLFP) Circular! It's a great time for the CLFP Foundation, and an equally great time to be a CLFP.

Continuing to build on 2014's momentum, we are very pleased to announce that already this year we have received 51 paid applications for the CLFP and CLFP Associate designation. Receiving this many applications for an entire year would have been unheard of just a few short years ago, and we've achieved that figure not even halfway through the current year. This number is a reflection of the hard work all of you have put into the Foundation; whether by serving on a committee, presenting or sitting in the CLFP booth at a conference, or just spreading the word of the CLFP program through your professionalism – so thank you! Additionally, so far this year we have had 25 applicants successfully take and pass the examination, earning their CLFP or CLFP Associate designation. Clearly with the influx of young talent we're seeing, the future of the Foundation is bright.

Additionally, we completed our first Academy for Lease & Finance Professionals earlier this month with great success. Graciously hosted by Banc of California, we had 13 people attend the three day event with 12 people taking and 10 passing the CLFP examination. Given that our next Academy is June 18th in Texas and we have two more scheduled for later this year in the Northeast and the Midwest, we're excited about this great new opportunity the Foundation is offering. Special thanks go out to Reid Raykovich, CLFP, Amy Spragg, CLFP, and Bob Fisher, CLFP for putting the entire program together and our instructors for making their great ideas a reality.

Finally we are extremely grateful and pleased to announce that we have been selected as a recipient of a NEFA Chris Walker Educational Fund grant. A generous gift of \$4,500 will be utilized to have the Certified Lease & Finance Professionals' Handbook professionally edited; and almost \$2,500 to fund scholarships for deserving applicants to earn their CLFP designation. As many of you know Chris was a long-time supporter of the CLFP Foundation (including serving as its President) and we know he'd be pleased to see how far we've come and the strides that will be made in his name.

With growth comes opportunity, and there's never been a better time to get involved with the foundation. Revising and updating both the handbook and exam, as well as moving the examination to an online format are all items on our to-do list; and we'd love you to lend your experience and expertise! Feel free to contact our Executive Director Reid Raykovich, CLFP or any member of our Board of Directors – we'd love to hear from you!

Very Humbly Yours,

A handwritten signature in blue ink, appearing to read 'B. Schonfeld', with a stylized flourish at the end.

**Brian Schonfeld, CLFP**

President, 2015 CLFP Board of Directors

# First Academy for Lease & Finance Professionals

The CLFP Foundation put on the first Academy for Lease & Finance Professionals (ALFP) last month in Irvine, CA. The ALFP was hosted by Banc of California and was a huge success - all survey respondents agreed that the ALFP properly prepared them for the exam and ten out of the twelve individuals who sat for the exam after the two-day class passed. The topics covered were:

- History of Leasing
- Terminology and Classification
- Lessor and Vendor Relationships
- Credit and Financial Statement Review
- Law and Documentation
- Collections
- Financial and Tax Accounting
- Sources of Financing for a Leasing Company
- Lease Pricing and Math
- Marketing
- Sales and Lease vs. Buy
- Lease Company Management



Chris Enbom, CLFP reviews Cash Flow Diagrams as part of the Lease Pricing and Math module

Paul Burnham, CLFP who attended the ALFP stated, "The ALFP is the best investment. It is an investment in self improvement, community building, a broadening opportunity to meet and learn from the centers of influence in the industry, those that have not only survived but thrived through the worst economic downturn in over 100 years and it's fun. Utilize ALFP it's a great resource, I did."

The three remaining ALFPs in 2015 are below; however, the Houston ALFP has sold out!

The cost to attend the class is \$495. The cost of the CLFP exam is \$550, but when purchased together, the total is discounted to \$1000. To register, please e-mail Reid: [reid@CLFPfoundation.org](mailto:reid@CLFPfoundation.org)



Bette Kerhoulas, CLFP reviews Documentation Barriers as part of the Lessor and Vendor Relationships module

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# Incorporating Electronic Documents Into Your Business: What, How and Why?

*Part Two of Three: What to Know About Electronic Documents*

By Brian Schonfeld, CLFP

So you've decided to join the revolution and add the capability to send and receive electronic documents to your organization. You've seen the writing on the wall that edocs are the future, and like the benefits that they bring such as decreased transaction time, decreased costs, decreased storage requirements, etc. But now that you've made the decision, how do you implement this process? What items do you need to pay attention to? Just like woodworking, when integrating such a complicated process you'll want to measure twice and cut once. You need to decide *why* you're incorporating electronic documents into your organization and *what* you hope to accomplish.

First, you need to decide why you need edocs and what you plan on using them for? Are you looking to just process credit applications or vendor information? This would by far be the easiest and cheapest avenue to implement. You would only need the front-end of the signature part of the solution, and since applications don't really need to be original chattel paper, you wouldn't need any sort of document vault. Additionally, all applications would be in an electronic format which would help you move towards an electronic/paperless office. Authentication, and the cost that comes with it, would not be required (nor really available) – speeding up the process.

If you want to get documents signed that you will eventually be forwarding on to your funding source, there are several additional steps/processes you want/need to take. First, what level of authentication will your funding source require? They will probably want a certain amount of assurance that appropriate measures have been taken to prevent fraud and/or identity theft. The most basic level is an access code, a simple numeric code you provide to your signers to enable them to access the documents. Assuming you properly communicated this communication separately, this will help prevent somebody who intercepted the documents access them. However, a simple access code will not do a lot to prevent identity theft (i.e., the person you are dealing with is impersonating somebody else. In this case a simple access code won't work because you will have provided it to them! To prevent this, an additional layer of security required. *Knowledge Based Authentication*, or *Out of Wallet* questions, are questions from data that are not readily available to persons apart from the user who would know this information and are not likely to carry



Typical *Out of Wallet* questions a person may be asked include:

- What was the color of your first car?
- What is the name of the first school you attended?
- What is the name of the hospital you were born in?

Such information is available to a database compiler but not readily available to criminals who may be attempting identity theft.

Additionally, you'll want to ensure your systems can communicate and/or transfer electronic chattel paper to your funding source. As discussed in our earlier article, it's important that documents are electronically vaulted to ensure compliance with UCC's Revised Article 9. This will ensure that only one authoritative copy exists, in essence the same thing as the original documents with a "wet signature." This is by far the biggest obstacle I personally have encountered when discussing electronic documents with our various broker partners. They get the signature portion of the process down, and call up excited to start using their electronic documents with us. Then when the discussion turns to where they are vaulting these documents, we hit a dead-end. Again, regardless of how secure your storage process may be – if they don't go straight to an independent, third party, electronic vault they're not chattel paper.

So, you will want to ensure that not only do you have an electronic vault but that your documents in this vault can successfully transfer over to your funding source's vault while still maintaining their status as the sole original copy. For example Pawnee Leasing has several brokers that have their own electronic document programs – utilizing DocuSign and eOriginal as well. After their documents are funded, they transfer the file from their eOriginal vault to our eOriginal vault – all the while maintaining Electronic Chattel Paper status.

If you intend on holding your documents for the life of the transaction and not selling them off, the process *can* be easier and less cumbersome – but that might not be in your best interest. Since you will be holding on to the contracts for the life of lease/loan, you don't have to ensure compatibility with any particular funding source. There will be no coding or transfer expenses to ensure your documents transfer to your funding source's vault.

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Technically speaking you probably won't have to transfer your documents to a vault at all if you're holding them. However if you don't, you run the risk of your documents being deemed unenforceable should you go to court and/or have your documents challenged for not being original copies or authoritative copies. It would be the same as going to court with only fax copies available. Most importantly, you'll want to see what requirements your bank or other source of funds has - will they require you to have a vault? You could probably compare this to the fax document situation above. If your bank doesn't care if you only have fax/electronic copies of documents you wouldn't need any sort of vault. However, if your bank requires you to transfer to them or possess original document's with wet signatures – you're going to need that vault.

The next question is the actual process of generating and completing your electronic documents. The first question you will have is how much work you want to undertake and when you want to do it? You'll have two options when preparing documents: templates and free-form. Creating a template allows one to streamline the sending process when you're frequently sending the same or similar documents (i.e., lease/loan agreements). The main drawback of the template process is the time it takes to create and set them up. Especially if you're looking to integrate your front-end system with your electronic document system to automatically create and send electronic documents; this can be a cumbersome process. However, they allow you to take your time reviewing the format of the electronic document going out, ensuring that you're not missing any required signatures or data fields. Then, once these templates are created, every time you send that electronic document the format will be exactly the same with the exception of transaction specific data (i.e. customer name, payment, etc.)

The other option is every time you create a set of documents to send out, you insert the signature and data tabs in the documents (free-form). While this has the advantage of requiring no real technical integration or programming, it does increase document preparation time as you'll need to repeat the process of adding signature tabs to the documents every time you send them out. Additionally, you're more likely to make a mistake if you're rushing to try and get documents out; and missing a required signature or other information can require additional documents or addendums being sent out and delaying the process.



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The last item you need to decide is how much integration you want between your systems? Do you want the electronic document system connected directly to your system via an API so you can create and send electronic documents directly from your front-end system? The advantages of this is once it's up and running it's great, but it is quite expensive to get to that point. And you'll probably need to incorporate outside resources unless you have somewhat advanced programming/IT resources in-house.

There are many questions one needs to ask themselves prior to integrating and going live with electronic documents in your organization. However, once you have invested the time and money, you will be more than please with the increased efficiency, accuracy, and security that electronic documents entail.

*Next Issue - Part Three: A Case Study of Pawnee Leasing Corporation's Electronic Document Integration...*

## Save the Date

**NEFA Fall Funding Symposium**  
October 7 - 9 - Atlanta, GA

**NAELB Eastern Regional**  
September 11 - 12 - Atlanta, GA

**Academy for Lease & Finance Professionals**  
August 13 - 15 - Fairport, NY

**CLFP Exam**  
August 15 - Fairport, NY

CLFP exams may be taken through a proctor at a time and location that is convenient for you. Please contact [reid@CLFPfoundation.org](mailto:reid@CLFPfoundation.org) or call: (206) 535-6281 to schedule your exam today.

## In the News

**Cliff McKenzie, CLFP - 17-year CLFP**  
(June 13, 2015)

**First American Adds 40th CLFP**  
(June 8, 2015)

**CLFP Adds 10 Members after Successful ALFP**  
(May 28, 2015)

**CLFP Foundation receives CWF Grant**  
(May 15, 2015)

**First American Adds 30th CLFP**  
(April 24, 2015)

**CLFP Foundation Adds 4 CLFPs from Northland Capital**  
(April 18, 2015)

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**Paul Burnham, CLFP**

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**Andrew Eller, CLFP**

*First American Equipment Finance*



**Dustin Hilton, CLFP**

*First American Equipment Finance*



**Eric Hurd, CLFP**

*Northland Capital*



**Gabe Jarnot, CLFP**

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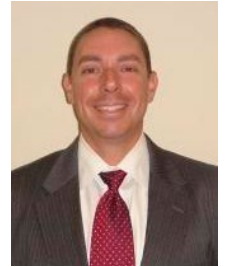
**Austin Kingsley, Assoc.**

*Allegiant Partners, Inc.*



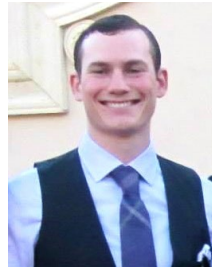
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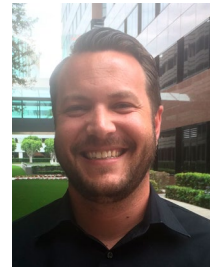
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