

Looking Beyond Interest Rates to Maximize Project Savings

How to Increase Your Project Cost...

(without having to Increase Savings)

There are Essentially 4 Major Components to Every Financing

- Amount Financed (Project Cost)
- Term
- Interest Rate
- Payment

Assumption: The Most Effective
Way to Increase Your Project Cost is
to Reduce the Interest Rate on the
Deal..

Answer: **NO**

Which of the following has the Lowest Impact on the Project Cost?

Term, Interest Rate & Payment

- Answer – **Interest Rate**

\$1,000,000.00

4.50%

120 Month Term

\$10,364.00 Payment

Change each by 10%

- 4.50% → 4.05% **\$1,021,255.00**
- 120 → 132 Months **\$1,077,481.00**
- \$10,364.00 → \$11,400.00 **\$1,100,000.00**

What Happens When you CAN'T Change the Term or Payment?

- → Control the Timing of the Payments
(*Time Value of Money*)
- The Sooner the Customer's Payments begin
the Larger your Project will be.

Timing of Payments = Larger Projects

EXAMPLE

- \$1 Million Project, 4.50%, 10 Years → \$10,364.00 Pmt
- → End of the Month \$10,364.00
- → Beginning of the Month \$10,325.00

OR

- \$10,364.00 Paid on the 1st vs 30th = \$1,003,765.41

Timing of Payments = Larger Projects

EXAMPLE

- \$120,000.00 Annual Savings @ 4.50%
- \$10,000.00 per month
- Project Cost = \$964,893.00

Timing of Payments = Larger Projects

Example: \$120,000.00 Annual Savings @ 4.50%

- \$15,000.00 per month months 1 – 6
- \$ 5,000.00 per month months 7 – 12

- **New Project Cost = \$970,310.00 vs
\$964,893.00 = \$5,417.00 Additional Scope**

Timing of Payments = Larger Projects

- \$120,000.00 Annual Payments – In Advance
- **New Project Cost = \$992,255.00 vs**
\$964,893.00 = \$27,362.00 Additional Scope

Other Ways to Increase the Size of Your Project

- If there's Any Savings during Construction, Structure a Payment = Savings to occur during the Construction Period, in order to reduce the total amount of Accrued Interest.
- Schedule Payments to Occur when Taxes are received. (July & January)
- In conjunction with your project, have your customer re-finance their older projects, extending the term – but keeping the same (higher) budgeted payments during the term of the original deal.

Other Ways to Increase the Size of Your Project

- Call:

