

FACTS ABOUT

New Financing Option Now Available for Lease-to-Own Trucks

The Air Resources Board has expanded its financial assistance program to include small businesses that lease-to-own their diesel trucking equipment. Terminal Rental Adjustment Clause Leases, or TRAC leases, are implemented through a partnership between the State Treasurer's Office and ARB. Its purpose is to encourage business owners to upgrade their diesel trucks for early compliance with on-road diesel vehicle regulations. This option will help small businesses who may not meet today's stringent borrowing standards to qualify for the lease purchase of newer diesel trucks.

What is a TRAC lease?

These leases are widely used within the trucking industry for managing cash flow, and combine the tax advantages of leasing while retaining the option to purchase the leased equipment at the end of the term for a predetermined price. Monthly payments are determined by the balance owed on the equipment at the start of the lease. These leases offer an attractive alternative to the traditional loan options that are available to owners.

Is this the first time the TRAC lease option has been offered?

Yes. Senate Bill 225, signed by the Governor in October 2011, now makes TRAC leases eligible through the State Treasurer's California Capital Access Program. This program is a type of loan portfolio insurance that encourages financial institutions to make loans to small businesses that fall just outside their conventional underwriting standards.

Who is eligible?

Eligibility requirements are the same. Applicants must meet all the requirements listed below:

- Small businesses that have 100 or fewer employees, and \$10 million or less in annual revenue, averaged over three years.
- Small businesses that generate their primary income in California (most of the vehicle miles traveled must occur in California, most jobs in California, etc.)
- Fleets of 40 or fewer heavy-duty vehicles are eligible, as long as they meet the above requirements.
- Small businesses that meet a participating lender's financial underwriting standards.

Can this option be used for both new and used equipment?

Yes, qualifying fleet owners can take advantage of the lease assistance for financing used and new trucks to upgrade their fleets for early compliance with ARB's statewide in-use truck and bus regulation and heavy-duty (tractor-trailer) greenhouse gas regulation. Examples of eligible vehicles include:

- Used and new tractors equipped with 2007 – 2009 model year engines certified to engine emission standards of 1.20 g/bhp-hr NOx and 0.01 g/bhp-hr PM or cleaner.
- Tractors equipped with 2010 and later model year engines ARB-certified to 2010 and later model year emission standards.

What are the steps for getting a TRAC lease?

The small business applies for a TRAC lease at a participating lender and fills out the Borrower Eligibility Criteria and Certification Form. In addition, the fleet owner completes the lender's required lease application forms. If the fleet owner qualifies based on the lender's underwriting standards, lease agreement documents are prepared. A list of these lenders with current contact information is available at: www.treasurer.ca.gov/cpcf/calcap/contributor/lenders.pdf

Why participate?

Diesel exhaust contains a variety of harmful gases and over 40 other known cancer-causing compounds. In 1998, California identified diesel particulate matter as a toxic air contaminant based on its potential to cause cancer, premature death and other health problems. In 2000, the ARB established California's Diesel Risk Reduction Plan, which aims to reduce diesel emissions to 85 percent below 2000 levels by 2020. In 2008, ARB approved the truck and bus regulation to substantially reduce emissions from the more than one million existing trucks and buses that travel through California each year. ARB offers several financial assistance options to assist trucking fleets in attaining early compliance with the diesel truck and bus regulation and to help California meet clean-air and health goals.

For more information

Fact sheets, compliance tools and regulatory documents are available at www.arb.ca.gov/msprog/truckstop/truckstop.htm or by calling ARB's diesel hotline at (866)6DIESEL or (866) 634-3735, or by email at 8666DIESEL@arb.ca.gov. Make sure to ask your lender about TRAC lease.

To obtain this document in an alternative format or language please contact the ARB's Helpline at (800) 242-4450 or at helpline@arb.ca.gov. TTY/TDD/ Speech to Speech users may dial 711 for the California Relay Service.