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# Biolase Finance Program

## Refresh and Finance Games

Patty Mascaro Director, Healthcare National Accounts

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# Biolase Finance Program

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- **Biolase Financial now Biolase Finance Program without the Biolase Financial logo**
  - Marlin exclusive relationship has not changed!
  - Why decision to revert back to unbranded documents:
    - Potential confusion with Doctors thinking Biolase holding the paper.
    - Rare situation with a decline if Doctor felt Biolase made decision.
- **What hasn't changed:**
  - Biolase getting low 5.25% rate for all structures and \$119 Doc Fee
    - Marlin Healthcare standard doc fee is \$179 – continue to give Biolase 2015 fee rate
  - High level of support and Preferred Partner priority from the Marlin Team!
  - 100% transparency policy – The rate we quote is the **exact** stream rate for the transaction and backed up by the documents the Customer signs!
    - Marlin will provide an amortization schedule to the Doctor if there is any question regarding rate. Very uncommon among Lenders.
  - Marlin first right of refusal – Deals come to Marlin first
    - On difficult transactions, need to confirm no possible option before re-sourcing.
  - Biolase Microsite and Financial User Guide – Review at end of the presentation.

# Games People Play

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- **Why important to allow Marlin time on difficult credit transactions**
  - Marlin team very good at getting additional data to overturn declines or pended deals.
  - Proven that Customer will pay a higher rate when taken as 2<sup>nd</sup> look to another Lender.
- **How are rates calculated correctly?**
  - It is a present value (PV) calculation based on the ENTIRE stream of payments.
  - Incorrect to quote a rate in equipment financing that represents an “annual” or APR rate.
  - Doctor’s Accountant need to understand correct rate on the transaction over the entire length of the term for interest expense calculation.
  - Bad reflection on Biolase if Doctor believes misled by bait and switch rate.
  - Deferrals and step-payments have made it more difficult for Doctors to understand what they are signing up for.
  - Timing of the payments displayed on the documents, with confirmation of funding amount, determines the true rate.

# Games People Play

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- **Rate Buydowns aren't bad. Misleading the Doctor and/or Biolase through rate buydown is concerning.**

Buydowns can be a strategic way to appease Doctor who can't understand their credit profile makes for a challenging approval situation.

- Biolase may find it worthwhile to accept less in funding to close deal.
  - Simple multiplication of the **Number of Payments X Monthly Payment** demonstrates if these extremely low rates are accurate.
- **Scenarios where Lender's rate to the Doctor and Biolase funding doesn't match:**
    - What is promised in a quote can be very different than what is seen on the documents.
    - Biolase HQ and Marlin have dug into scenarios where it has been proven Doctor's rate promised was not delivered.
    - Time will tell if these Doctors, or their Accountants, raise a red flag as tax time approaches.
  - **Lenders providing points (cash) to reps is against Biolase policy**
    - Inflates the Doctors costs as increased rate passed on.

# Games People Play

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- **Scenario 1:** Existing Marlin customer whose personal credit had dropped substantially from first deal and not paying timely. Sent to Marlin Syndication Desk and was not able to be sourced. Biolase sent to another Lender and was approved.
  - Doctor promised 6.96% with 3 months deferred for 60 months
  - Biolase verified the contract documents read:
    - 3 Months @ \$29/mo, plus 60 Months @ \$1,110.00
  - Funding to Biolase was \$51,419
  - ***Amortization schedule based on structure and funding to Biolase net 9.75% to Lender***
  - Cash price to Doctor would have to been \$55,247 for the 6.96% to look accurate upon Accountant review.
  - Payment at promised rate of 6.96% should have been \$1,032/month.  
**Simple math: 60 payments X \$1,110 = \$66,600 (too high vs. funding amount)**
  - 9.75% would have been in line with the Credit profile. Good that received approval, concerning that Doctor mislead with lower rate promise.

# Games People Play

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- **Scenario 2:** Transaction for \$86,591 order to Marlin declined because Doctor had 5 charge offs with another leasing company for \$304,000. Marlin Syndication Desk secured an approval for 3 months @ \$0, followed by 60 months for total 63 month term. Doctor had wanted a 12 @ \$99 type deferral so Biolase took to another Lender.
  - **Lender approved deal and Doctor was promised 2.99% with a 6 month deferral for 60 months using a rate buydown**
  - Biolase verified they were funded \$78,908 and the contract documents read:  
6 @ \$29 plus 54 @ \$1,830 for total 60 month term
  - Easy math: 54 @ \$1,830 = \$98,820 – red flag. \$20,000 more than what Biolase funded
  - **Structure and Funding net 8.86% to Lender**
  - For this stream of payments at 2.99% - Cash price would have been \$91,400 to Customer
  - Marlin lists cash price – discount for net funding on our PO's to Biolase
  - **Rate buydowns are smart play with challenging situations, but beware of artificially low rate and the discount required vs. Lender yield.**

# Summary

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- Nothing changed with Marlin's relationship with Biolase.
- Allow Marlin time to work with the Doctor or Syndications to secure approval.
- Understand that there can be a big difference in the timing of the payments and the length of the total term when calculating a rate.
- Correct rate calculation based on principal and interest over the entire term of the agreement.
- Big difference in the timing of the payments and the length of the total term when calculating a rate.
  - 3 Months Deferred with 60 months could be written as "3 Months @ \$0 followed by 60 payments" or "3 Months \$ 0 followed by 57 payments".
  - Marlin provides Documents that match our Quote Tool Proposal structure!
- Buydown play smart, but beware of what the rate to the customer vs. discount is.
- Taking points is against Biolase policy.
- Marlin is here to make the financing easy! Communicate with us early and often and know that direct contact with the Doctor helps us wrap up these deals fast!

**Quick Review Biolase's Microsite and Information in Biolase Finance Program Guide**