

AIRCRAFT FINANCE BROKERS

Just as brokers have proven popular in finding the best deal for insurance for your home and car, or a for a home mortgage package, there are brokers who will work with you to put together aircraft financing.

Aviation finance brokers range from one-person shops to fairly good-sized companies, but all should do the same task for you—get you a loan at a competitive rate and make sure the closing goes smoothly. Assuming you are a good candidate for a loan and the airplane is not too old or rare, most brokers say they can qualify you for a loan in two to three business days and arrange closing as quickly as two days after that.

Most brokers are independent; the remainder are owned by banks that make aircraft loans—although an owned broker will place a loan with another bank if it's a better deal for the customer. NAFCO, for example, is owned by Pilot Bank, which is one of the few, if only, banks that will make loans on homebuilts and old piston twins.

Much of the brokerage business is word of mouth, but most do advertise. When looking at a broker cold, the first question to ask is how long he or she has been in the aircraft brokerage business. We think five years is a working minimum.

Follow up that question by finding out the extent of the broker's aviation experience and experience in the financial world. All of the brokers we interviewed for this article held advanced pilot certificates and had been in the finance world in some fashion before becoming an aircraft finance broker. Ask what banks the broker works with regularly—there should be at least four or five.

The broker will package your loan application and pull your credit so your scores are checked only once—and then shop the package to banks to find the best terms. A good broker will prepare that package as if it is going to be put in front

of a bank's loan committee, because it probably will. The broker's job is to effectively sell you to lenders so you get the best loan terms possible.

There should never be any sort of upfront or application fee. If a broker demands any sort of payment up front, hang up and call someone else—it's a red flag deal-breaker. If there is a fee, it should only be paid at closing and only if the deal goes through.

The agreement with a broker should always be in writing—no exceptions—with any fees to be paid fully disclosed.

Most, but not all, of the time, a broker is paid by the lender—the broker is finding and passing along business to the lender. There are some lenders who do not pay brokerage fees. In that case, an honest broker will disclose that to you, and the broker's fee will be added to the purchase price and paid at closing—once the deal is done, not before. If the deal falls through, you do not pay the broker.

AOPA got some press in the last month when it announced that its financial service program would change from simply guiding members to Bank of America for aircraft loans, and AOPA would become an aircraft finance broker in competition with the established brokers. We have previously indicated that we have a problem with the ethics of nonprofit AOPA competing with aircraft businesses; nevertheless, it is doing so. Time will show if, after years of relying on one bank that has dropped out of lending for piston aircraft, it can establish a beneficial working relationship with a group of banks that will make loans that cover the general aviation market.

AOPA Aviation Finance Company president Adam Meredith told us that "We are bringing on other banks that will be good partners with good customer services for our members."