

Progress Funding: The Official Guide

The Definitive Resource for Financing Equipment Before It's Delivered

Progress funding is one of the least understood and most valuable forms of commercial equipment financing. While traditional equipment loans fund assets after they are delivered and accepted, progress funding provides capital throughout the manufacturing process, allowing businesses to preserve working capital while custom equipment is being designed, fabricated, tested, shipped, and installed.

Whether you're investing in a \$500,000 packaging line or a \$50 million manufacturing expansion, understanding how progress funding works can make the difference between delaying a project and moving forward with confidence.

This guide explains everything you need to know about progress payment financing, including how it works, who qualifies, what lenders look for, common challenges, and how to structure complex transactions for success.

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What Is Progress Funding?

Progress funding is a specialized equipment financing solution that provides capital throughout the manufacturing process instead of waiting until equipment is delivered. Rather than requiring a business to fund large deposits and milestone payments with its own cash, the lender advances payments directly to the equipment manufacturer as agreed-upon production milestones are achieved. This allows companies to move forward with custom equipment, automation systems, and large capital projects while preserving the working capital needed to operate and grow.

As manufacturers expand domestic production and reshoring accelerates, demand for custom-built equipment has never been higher. Longer lead times, larger deposits, and extended manufacturing schedules have made progress funding an essential financing strategy for many businesses. By aligning financing with the production timeline instead of the delivery date, companies can secure valuable manufacturing capacity, maintain healthy cash flow, and complete transformative projects without tying up millions of dollars months before the equipment begins generating revenue.

How Progress Funding Works

Progress payment financing begins with a comprehensive review of the entire project, not just the borrower's credit profile. The financing partner works with the borrower, equipment manufacturer, and other stakeholders to evaluate the purchase agreement, equipment specifications, manufacturing timeline, payment schedule, vendor qualifications, and financial information. Once approved, a customized funding schedule is established based on key manufacturing milestones, such as the initial deposit, engineering, material procurement, fabrication, factory acceptance testing, shipment, installation, and final commissioning. Instead of providing a single payment at delivery, funds are advanced as each milestone is completed, ensuring the manufacturer has the capital needed to keep production moving.

In most cases, payments are made directly to the equipment manufacturer or approved vendors, providing transparency and ensuring funds are used exclusively for the project. Throughout the manufacturing process, the lender coordinates with all parties, verifies milestone completion, and manages the flow of funds until the equipment is fully installed and accepted. The transaction then transitions into its long-term equipment financing structure, allowing the borrower to begin regular payments on equipment that is already operational and generating revenue. This approach preserves working capital, minimizes financial risk, and supports the successful completion of complex capital projects.

The Business Benefits of Progress Funding

Equipment financing before delivery offers far more than a way to pay equipment manufacturers; it provides businesses with a strategic financing solution that preserves financial flexibility throughout the life of a capital project. Instead of investing substantial amounts of cash months before equipment is operational, companies can align financing with the manufacturing process, allowing valuable working capital to remain available for daily operations and future growth. This approach is particularly beneficial for organizations investing in custom-built equipment, automation systems, or large-scale manufacturing expansions where production timelines often extend from six to eighteen months and beyond.

One of the greatest advantages of progress funding is improved cash flow management.

Rather than making multiple large deposits from internal cash reserves, businesses can preserve liquidity for payroll, inventory, marketing, research and development, acquisitions, and other strategic initiatives. Maintaining strong cash reserves also provides greater financial stability,

allowing companies to respond quickly to unexpected opportunities or market changes while avoiding unnecessary pressure on operating capital during lengthy manufacturing cycles.

Progress funding also enables businesses to pursue larger and more ambitious projects than they might otherwise consider. By financing deposits and milestone payments, companies can secure production capacity, proceed with facility expansions, invest in advanced automation, and expand manufacturing capabilities without waiting years to accumulate the necessary cash. In today's competitive environment, where production schedules are often booked months in advance, the ability to secure a manufacturing slot can be just as valuable as the equipment itself. Progress funding allows organizations to capitalize on growth opportunities while maintaining the financial resources needed to support ongoing operations.

Perhaps most importantly, progress payment funding helps businesses accelerate growth without sacrificing financial discipline. Instead of viewing capital expenditures as a drain on working capital, companies can treat equipment investments as strategic assets that begin generating revenue soon after installation. When structured properly, progress funding supports expansion while preserving borrowing capacity, strengthening supplier relationships through dependable payment schedules, and positioning the business for long-term success. It transforms a significant capital investment into a manageable financial strategy that supports both immediate operational needs and future growth objectives.

Why Traditional Banks Don't Offer Progress Funding

Traditional commercial banks are excellent at financing equipment that has already been manufactured and delivered and is ready to serve as collateral. Progress funding, however, involves a very different risk profile. During much of the manufacturing process, the equipment is still being engineered or fabricated, and projects often require milestone payments, long production schedules, multiple vendors, imported components, or construction-style draw schedules. These complexities frequently fall outside a bank's lending policies, operational capabilities, or legal lending limits, resulting in a decline even when the borrower is financially strong.

Specialized equipment finance companies and institutional capital providers are designed to structure these more complex transactions. They understand milestone funding, custom manufacturing schedules, international vendors, factory acceptance testing, engineering changes, multi-vendor coordination, and large capital projects. For borrowers, a bank's inability to finance a progress payment transaction is often not a reflection of credit quality—it simply

means the project requires a financing partner with expertise and capital resources to manage complex equipment funding from the initial deposit through final commissioning.

Progress Funding vs. Traditional Equipment Loans

Feature	Progress Funding	Traditional Loan
Deposit Financing	Yes	Usually No
Milestone Payments	Yes	No
Manufacturing Timeline	Supported	Limited
Custom Equipment	Excellent	Good
Imported Equipment	Often	Sometimes
Large Projects	Excellent	Good
Working Capital Preservation	Excellent	Moderate

Common Mistakes Companies Make

Waiting Too Long - One of the biggest financing mistakes companies make is waiting until equipment has already been ordered before engaging a financing partner. Financing discussions should begin during the planning, engineering, or vendor selection phase so the appropriate structure can be designed before contracts are signed and deposits become due. Early involvement allows lenders to evaluate progress payment schedules, coordinate with equipment manufacturers, identify potential underwriting issues, and ensure funding is available at each project milestone. By starting the financing process early, businesses avoid costly delays, preserve negotiating leverage with vendors, and keep their project on schedule from purchase order through final installation and commissioning.

Incomplete Documentation - One of the most common causes of delays in equipment financing is an incomplete or disorganized financial package. Lenders can move much more quickly when they receive a complete set of documents upfront, allowing underwriting to begin immediately rather than requiring

repeated requests for additional information. Taking the time to organize your documentation early demonstrates professionalism, reduces processing time, minimizes underwriting questions, and often results in a faster credit decision. To keep your project on schedule, be prepared to provide the lender with a complete package of the required financial, operational, and project-related documents

Choosing an Inexperienced Lender - Not every equipment finance company has the experience, capital resources, or operational capabilities to successfully manage complex payment transactions. While many lenders can issue approval, far fewer have the expertise to administer milestone funding, coordinate with multiple vendors, monitor manufacturing progress, and execute payments on time throughout a project's lifecycle. For a CFO, selecting the wrong financing partner can result in delayed equipment deliveries, strained vendor relationships, production setbacks, and unexpected costs. It would be reckless not to thoroughly evaluate a lender's experience before committing to a financing structure. Ask detailed questions about the lender's history with projects similar to yours, their ability to fund progress payments over extended manufacturing schedules, their familiarity with custom equipment, foreign vendors, factory acceptance testing, installation, and commissioning, and their track record of successfully funding large, complex equipment projects from purchase order through final acceptance.

Frequently Asked Questions

Can deposits be financed? Yes. **Yes.** At Commercial Funding Partners (CFP), milestone funding and equipment deposit financing are among our core specialties. We regularly finance manufacturer deposits, engineering costs, progress payments, fabrication milestones, factory acceptance testing, shipping, installation, and final commissioning for custom-built equipment. Rather than requiring your company to fund large deposits from working capital, CFP structures financing that aligns with the manufacturer's payment schedule, preserving cash flow while keeping your project on track. Whether your equipment requires a single deposit or multiple milestone payments over several months, our team has the experience, institutional capital resources, and project management expertise to successfully fund complex manufacturing projects from purchase order through final installation.

Can imported equipment qualify? Yes. **Yes.** Imported equipment is commonly financed, particularly for large industrial and manufacturing projects. Many institutional lenders regularly fund equipment sourced from multiple countries, including transactions exceeding \$10 million that involve several international manufacturers. An experienced equipment finance partner can structure funding to accommodate foreign vendors, milestone payments, shipping schedules, and cross-border documentation while keeping the project on track.

Can software be included? Frequently, **yes.** When software is integral to the operation of the equipment—such as automation controls, ERP integration, robotics software, machine vision, or production management systems- it can often be included in the financing. Whenever possible, CFP

structures transactions to provide **100% financing**, allowing both the equipment and the essential software to be financed together under a single solution.

Can installation costs be financed? Often, yes. Installation costs are often included in an equipment financing package, particularly when they are essential to placing the equipment into service. Many replacement and new production lines require installation by licensed contractors, factory-trained technicians, or specialized integrators. When these costs are directly related to the equipment project, they can often be financed alongside the equipment, reducing the need for upfront capital and helping preserve working capital.

Can engineering costs be included? For the most part, yes. We have seen, however, engineering that costs more than the equipment, and in those cases, other solutions to cover those expenses are considered. Oftentimes, a sale-leaseback on non-related equipment can be used to cover soft costs over the approved limits

Can projects exceed \$10 million? In many cases, yes. Project engineering, design, and integration costs can often be included in an equipment financing structure when they are directly related to the equipment being acquired. If engineering costs become disproportionately large, sometimes exceeding the value of the equipment itself, additional financing strategies may be needed. In those situations, solutions such as sale-leaseback of existing equipment or other structured financing can often provide the additional capital needed to cover engineering, design, and other project soft costs while preserving working capital.

How long does underwriting take? It depends on the size and complexity of the transaction. Straightforward equipment financing requests with complete documentation can often receive a credit decision within a few business days. Larger institutional projects involving progress payments, multiple vendors, foreign manufacturers, construction schedules, or complex funding structures require more extensive underwriting, documentation, and coordination. While these transactions naturally take longer, an experienced lender works closely with all parties to keep the process moving efficiently and maintain the project's timeline.

Why Structure Matters More Than Credit: Many equipment financing requests are declined not because the borrower lacks creditworthiness, but because the transaction has been structured in a way that falls outside a lender's policies or capabilities. Traditional banks and many finance companies are designed to fund straightforward equipment purchases, not complex projects involving progress payments, multiple vendors, imported equipment, installation costs, engineering, or phased construction schedules. An experienced institutional equipment finance partner can often restructure these transactions into financeable opportunities by matching the financing structure to the realities of the project rather than forcing the project to fit a standard loan program.

The right financing partner doesn't simply evaluate the borrower; they structure the transaction so the project can move forward successfully.

Why Companies Choose Commercial Funding Partners

Commercial Funding Partners specializes in complex equipment financing for projects that extend beyond conventional lending programs. Transactions ranging from \$250,000 to \$300 million and beyond through institutional funding relationships. Our team regularly structures transactions involving:

- Progress payment and milestone funding
- Large manufacturer deposits
- Imported equipment from multiple countries
- Multiple equipment vendors
- Engineering and design costs
- Software integrated with equipment
- Installation and commissioning expenses
- Construction-style draw schedules
- Factory acceptance testing (FAT)
- Soft costs related to the project
- Transactions exceeding a bank's lending limit
- Projects requiring institutional capital or syndicated financing
- Temporary leverage or cash flow issues resulting from rapid business growth

Whether a project involves a single manufacturer or an entire production facility, our focus is on building financing solutions that preserve working capital, streamline the funding process, and help businesses complete transformative capital investments.

Request a Progress Funding Review

If your equipment manufacturer requires deposits or milestone payments before delivery, engaging a financing partner early can improve both the financing structure and the project's overall success.

Commercial Funding Partners can review your equipment proposal, manufacturing schedule, and payment requirements to determine the most effective financing structure for your project.

Whether you're planning a custom manufacturing line, automation system, processing plant, or another large capital investment, progress funding may allow you to move forward without sacrificing the working capital your business needs to grow.

Related Resources

- Financing Automation & Robotics Projects
- [Institutional Equipment Funding Guide](#)

- [Sale-Leaseback Guide](#)
- [The CFO's Guide to Equipment Financing](#)
- [Second Opinion Review for Equipment Financing](#)
- [Equipment Financing for Manufacturers](#)
- Financing Imported Equipment
- Construction Draw Equipment Financing
- Multi-Vendor Equipment Financing
- Large Project Equipment Finance

Ready to discuss your project? Contact Commercial Funding Partners to explore a customized progress funding solution tailored to your equipment, industry, and growth objectives.