

# Common Pitfalls in Aircraft Financing

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Whitepaper by David Fisher

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## Executive Summary

Aircraft financing involves unique risks tied to technical condition, regulatory compliance, and asset volatility. Many transactions fail—or become unnecessarily expensive—because buyers and sometimes lenders overlook key aspects of aircraft value. This whitepaper highlights the most common pitfalls and offers practical steps to ensure smoother, more secure financing.

## 1. Skipping a Professional Appraisal

Relying on broker estimates or online listings is one of the most common—and expensive—errors in aircraft financing. Market values vary based on maintenance status, engine times, component cycles, and recent comparable sales.

### Why it matters:

Lenders base loan terms on true collateral value. Unsupported valuations often cause loan delays, reduced loan-to-value ratios (LTVs), or outright denials.

### Avoid the pitfall:

Engage a certified aircraft appraiser before seeking financing or executing a purchase contract. Do not rely on VREF and Aircraft Bluebook indexes. These guides do not reference actual sales data.

## 2. Misunderstanding Maintenance Exposure

Maintenance condition plays a larger role in aircraft value than most buyers realize. Upcoming inspections, high engine times, and aging components can materially reduce value.

### Key issues:

- **Underestimating upcoming costs:** A pending engine overhaul can shift value by hundreds of thousands—or more.
- **Engine program confusion:** Aircraft not on programs like ESP, MSP, or JSSI often receive lower LTVs because future costs are unpredictable.

### Avoid the pitfall:

Request a maintenance exposure report early, and verify whether the aircraft's coverage meets lender expectations.

### 3. Poor Logbook and Record Management

Logbooks are the legal foundation of an aircraft's history. Missing or disorganized logs reduce value and may halt financing entirely.

**Common issues:**

- Missing airframe or engine logs
- Incomplete airworthiness entries
- Unverified modifications or STCs
- Paper/digital inconsistencies

Even one missing logbook can drop value by 10–25% or more depending on many factors.

**Avoid the pitfall:**

Review digital scans before the pre-purchase inspection and confirm all records are present, legible, and complete. Confirm physical logbooks exist and are complete.

### 4. Overlooking Cross-Border Complications

International aircraft often present hidden hurdles—foreign liens, non-standard avionics, export documentation issues, and regulatory conformity challenges.

**Why it matters:**

Lenders may not proceed until the aircraft is fully compliant with the receiving country's standards, significantly slowing the process.

**Avoid the pitfall:**

Work with an aviation attorney or import specialist. Ensure the aircraft can meet FAA, EASA, or other required standards before finalizing financing.

### 5. Unrealistic Transaction Timelines

Aircraft financing requires coordination across lenders, escrow agents, appraisers, maintenance facilities, and regulatory authorities. Buyers often underestimate the timeline.

**Typical sources of delay:**

- Title or lien discrepancies
- PPI findings requiring negotiation
- Documentation revisions
- Regulatory conformity issues

**Avoid the pitfall:**

Plan for 30–60 days from offer acceptance to closing for most turbine aircraft.

## 6. Assuming All Lenders Use the Same Criteria

Banks and aviation finance companies vary significantly in their internal policies. Some will not finance aircraft over a certain age or may require higher equity for specific usage types, such as charter or training operations.

### Key variables that affect approval:

- Aircraft age and cycles
- Intended operational use
- Engine program coverage
- Minimum or maximum loan amounts

### Avoid the pitfall:

Use lenders who specialize in aviation assets and align financing targets with their underwriting criteria.

## Conclusion

Aircraft financing is as much about understanding the asset as it is about securing credit. The most common pitfalls—missing records, unclear maintenance status, unrealistic timelines, and inadequate valuation—are all preventable with early expert involvement. At Wester Aviation, our goal is to provide the clarity and data needed to ensure that both buyers and lenders make informed, risk-aware decisions.



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