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# Glossary

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Financing Terms and  
Definitions

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## **A**

**Ability to Pay-** Ability to pay loans from the business' income.

**Accelerated Cost Recovery System(ACRS) (Modified)** -The Tax Reform Act of 1986 established the modified ACRS tax appreciation system prescribing depreciation methods for each ACRS class in lieu of statutory tables. Equipment is assigned among 3, 5, 7, 10,15, or 20-year classes depending on ADR lives

**Accounts Payable(A/P)-** Expenses incurred and purchases made, but not paid for.

**Accounts Receivable(A/R)-** Sales made but not collected

**Accounts Receivable Financing-** Short Term financing obtained by pledging receivables to the lender (as collateral for a loan). This enables a business owner to draw against an established line of credit, dictated by a formula (a percentage of accounts receivable)

**Accrual Basis-** An accounting method

**ACH-** (Automatic Clearing House) Automatic Checking Withdrawal. This is when a Lessor or funding source has authorization to withdraw the monthly lease payment automatically each month.

**Adequate Notice-** The length of time required to notify your lender of business action such as cancellation of a lease or prepayment of a loan. Adequate notice is predetermined in writing.

**Advance-** Money withdrawn from a pre-approved line of credit.

**Alternative Minimum Tax(AMT)** - An alternative, separate tax calculation based on the taxpayer's regular taxable income, increased by the taxpayer's preferences for the year. The resulting amount is called the alternative minimum taxable income (AMTI). After certain exemptions and offsets, the taxpayer determines its AMT and is required to pay the larger of the regular tax or alternative minimum tax. Among the preferences that can increase the taxpayer's AMTI is the accelerated portion of depreciation, thereby making it more likely that a taxpayer that buys equipment may be subject to the AMT rather than to regular tax.

**Amortization Schedule-** A chart or table that breaks a monthly loan payment into two categories; principal and interest. It also reports the balance due.

**Annual Percentage Rate-** The cost of credit as a yearly rate.

**App Only-** "Application Only" This statement means a lease transaction that utilizes the information provided by an applicant on a simple one page "app" form. An app only lease does NOT require Financials

**Articles of Incorporation-** Legal document filed by a prospective corporation's owners in a designated state that explains the purpose of the corporation, its directors, and the distributed shares of stock. When approved by the state, the corporation then becomes a legal entity.

**Assets-** What the company owns. Current assets can be converted into cash in one year. Non-current assets take one year or more to turn into cash.

**Asset-based Lending-** Financing secured by pledging assets (inventory, receivables, or collateral other than real estate).

**Audited Financials-** Company financial statements that have been verified and audited by a CPA.

**Available Credit-** The unused portion of a line of credit.

## **B**

**Balance Sheet-** Balance Sheet is used to determine where a company is financially. Required for Commercial Transactions

**Banko or BK- Bankruptcy.** This is when a consumer or company files for a credit relief from their creditors in a court of law.

**Bargain Purchase Option** -A lease provision allowing the lessee, at its option, to purchase the equipment for a price predetermined at lease inception, that is substantially lower than the expected fair market value at the date the option can be exercised

**Beacon-** Personal Scoring system used by Equifax

**Big-Ticket** -A market segment, generally dominated by leveraged leases, represented by lease financing over \$5 million.

**Binder-** A document provided by a lessee's insurance company guaranteeing insurance coverage.

**BMO-** "By Mail Only" Often times a bank rating will be BMO. That means that the bank will only send a rating via US Postal Mail. Typically takes 1-2 weeks.

**Breakeven Point-** When a company has neither a profit nor a loss. It's considered to be at the breakeven point. One dollar more and the company has a profit; one dollar less and the company shows a loss.

**Broker** -A company or person who arranges, for a fee, transactions between lessees and lessors of an asset.

**Buck-Out (\$1.00 Out)-** Option to Purchase the equipment at the end of the lease term for \$1.00

**Business Credit-** Loans made to businesses in the form of a term loan or a line of credit.

**Business Plan-** An overview put together by new companies and existing companies that are trying to obtain a loan. It includes all aspects of a business and financial statements.

**Buy Rate-** This is the cost of funds that a broker or assignee pays the funding source for the money used in a lease.

## C

**Call-** If the loan covenants (rules) are broken or if the maturity is reached, “calling” a loan means it must be paid in full.

**Cap-** A cap limits a loan’s interest rate from rising beyond a certain rate. A 10% loan with a 2% cap will only rise to 12%.

**Capacity-** Borrower’s ability to repay a debt.

**Capital or Net Worth-** Assets less liabilities. The amount of money invested in the business plus the retained earnings. A business can have a negative balance.

**Capital Lease-** Type of lease classified and accounted for by a lessee as a purchase and by the lessor as a sale or financing, if it meets any one of the following criteria: (a) the lessor transfers ownership to the lessee at the end of the lease term; (b) the lease contains an option to purchase the asset at a bargain price; (c) the lease term is equal to 75 percent or more of the estimated economic life of the property (exceptions for used property leased toward the end of its useful life); or (d) the present value of minimum lease rental payments is equal to 90 percent or more of the fair market value of the leased asset less related investment tax credits retained by the lessor.

**Cash Basis-** A type of accounting system that recognizes cash when it is received and expenses when they are paid.

**Cash Collateral-** Bank deposits and similar assets that can be converted to cash quickly.

**Cash Flow-** Money available from a business’ operations to satisfy cash needs. The primary source for monthly payments on a loan.

**Certificate Of Acceptance(Delivery and Acceptance)-** A document whereby the lessee acknowledges that the equipment to be leased has been delivered, is acceptable, and has been manufactured or constructed according to specifications.

**Charge-Off-** This is a statement on the credit report that shows that a creditor closed an account due to non-payment.

**Co-Guarantee-** Similar to a cosigner but not necessarily a personal guarantee. This could be from a corporation or other legal entity.

**Co-Lessee-** When 2 or more companies sign into a lease agreement together. Often used to strengthen the credit worthiness.

**Collateral-** Assets pledged to support a loan. The money received from liquidating the assets is the secondary source of a loan repayment.

**Collateral Lender-** A funding source that bases a majority of their decisions on the value of the equipment that they are selling and uses other credit info to help add strength to the transaction.

**Collateral Value-** Value of pledged asset(s) as determined by an appraisal or other methods of valuation. Lenders often discount collateral by a certain percentage.

**Collection-**When an owed sum is not paid to a debtor, that debtor may turn the debt over to a collection company. A collection company will then file a public filing that they are working to secure payment on a debt.

**Commercial Lease-** A transaction that is typically over 75K and requires a full financial package.

**Commercial Mortgage-** A loan for a business' real estate. Rates and terms are negotiated and the finance charge is usually related to the prime rate.

**Commitment-** When a lender agrees to lend a specific amount, with rates, terms, conditions and covenants-in writing.

**Community Development Bank-** Locally-operated commercial bank which lends money to the local community.

**Concentration-** When a lender's loan portfolio is heavy in a particular industry or type of business.

**Corporation-** A form of business registered with the state as a legal entity.

**Cosigner-** A person who signs and guarantees a loan for someone else.

**Contingent Liabilities-** Money you agreed to repay by signing notes, or by being a co-maker or guarantor of loans. Lenders want to know how much money you are liable for if the loan results in legal actions or contested taxes.

**Cost of Goods sold-** Cost to make a product, including materials, labor, and related overhead.

**Covenant-** Loan agreement rules for the borrower as dictated by the lender.

**CPA-** Certified Public Accountant.

**Credit-** Lender's agreement to provide funds or apply money to an account owned by the customer.

**Credit Lender-** A funding source that bases most of its qualifications on D & B business credit as well as personal credit of principals, not equipment value.

**Credit Line-** Certain amount of money available to a borrower for a predetermined period of time.

**Credit Rating-** An individual's worthiness for credit as determined by a credit reporting agency. In addition to the information these agencies provide, lenders use tax returns and other financial statements to determine your credit worthiness.

**Credit Scoring-** A predetermined process of scoring which is used to approve or reject loan applications.

**Cross-Corporate Guarantee-** When a corporation guarantees a lease for another corporation. This can be done to strengthen a lease. If the primary company defaults, the secondary guarantee is liable.

**Current Assets-** Assets that can be converted into cash within a year. Non-current Assets take one year or more.

**Current Liabilities-** Liabilities due within one year.

## **D**

**D&A-** Delivery & Acceptance Certificate: This is a document signed by the lessee that authorizes the payment of equipment Vendor. Step one of two.

**D&B-** Dun & Bradstreet. An independent company that provides credit ratings on businesses.

**D.A.S. Score-** A scoring number that Equifax uses to qualify a customer. The lower the DAS the better. 600 is average.

**DBA-** "Doing Business As"

**Delinquency-** Failure to make a loan payment when it's due.

**Depreciation-** Except for land, assets wear out. The value goes down and can be deducted from your business as an expense. Present values of assets are shown as original cost less depreciation. Market value, or the price you could sell it for, could differ from this figure.

**Direct Financing Lease(Direct Lease)-** A non-leveraged lease by a lessor (not a manufacturer or dealer) in which the lease meets any of the definitional criteria of a capital lease, plus certain additional criteria.

**Doc Fee-** Documentation Fee: This is the fee that bank/lenders charge the customer for documenting and processing the lease documents.

**Draw Down-** Activating a line of credit. For example, when you "draw down" a line of credit, you activate it.

**Dual Submission-** When a lease transaction has been sent to the same funding source by 2 or more lease brokers.

## **E**

**Economic Life (Useful Life)**- The period of time during which an asset will have economic value and be usable.

**Effective Lease Rate**- The effective rate (to the lessee) of cash flows resulting from a lease transaction. To compare this rate with a loan interest rate, a company must include in the cash flows any effect the transactions have on federal tax liabilities.

**Experian/TRW**- A personal Credit reporting agency that is commonly used throughout the U.S.

**Equifax**- A personal Credit reporting agency that is commonly used on the West Coast.

**Equipment Schedule**- A document that describes in detail the equipment being leased. It may also state the lease term, commencement date, repayment schedule and location of the equipment.

**Equity**- Difference between the total assets of a business and the total liabilities.

**Equity Participant**- One or more of the equipment owners participant in a leveraged lease, trustor owner, or grantor owner.

## **F**

**Factoring-** Short-term financing from the sale of accounts receivable to a third party.

**Fair Market Purchase Option-** An option to purchase leased property at the end of the lease term at its then fair market value. The lessor does not have the ability to retain title to the equipment if the lessee chooses to exercise the purchase option.

**Finance Charge-** Equivalent to Interest rate on a loan but pertains to a lease. A lease has NO principal/Interest breakdown, only a predetermined monthly finance charge.

**Financial Statement-** Reports showing the financial condition of a business on a particular date or for a period of time (such as one year). Lenders review the Balance Sheets and Income Statements.

**First Amendment Lease-** The first amendment lease gives the lessee a purchase option at one or more defined points with a requirement that the lessee renew or continue the lease if the purchase option is not exercised. The option price is usually either a fixed price intended to approximate fair market value or is defined as fair market value determined by lessee appraisal and subject to a floor to insure that the lessor's residual position will be covered if the purchase option is exercised. If the purchase option is not exercised, then the lease is automatically renewed for a fixed term (typically 12 or 24 months) at a fixed rental intended to approximate fair rental value, which will further reduce the lessor's end-of-term residual position. The lessee is not permitted to return the equipment on the option exercise date. If the lease is automatically renewed, then at the expiration of that initial renewal term, the lessee typically has the right either to return the equipment without penalty or to renew or purchase at fair market value.

**Fixed Assets-** Assets like furniture, fixtures, equipment, machinery, and real estate.

**FMV-** Fair Market Value (to be decided by lessor)

**FMV/10%-** Fair Market Value (Not to exceed 10% of the original equipment cost)

**FMV/5%-** Fair Market Value (Not to exceed 5% of the original equipment cost)

**F/U-** Follow Up

**Full Financial Package-** 3 years of Corporate tax returns or audited (or reviewed) financial statements, PFS on principals, Current Balance sheet & P/L of tax returns of financial statements are more than 3 years old. Also need completed lease application.

**Full Payout Lease-** A lease in which the lessor recovers, through the lease payments, all costs incurred in the lease plus an acceptable rate of return, without any reliance upon the leased equipment's future residual value.

## G

**General Partner-** When a business is a partnership, every owner who holds a share (a percentage) of the company shares in the profits and losses. General partners are responsible for total liabilities.

**Gross Profit-** Gross sales less cost of goods sold. This is your mark-up. Also called gross margin.

**Gross Sales-** Revenue or income from sales before returns and allowances.

**Guaranty (or Guarantee)-** Agreement by a third party to pay debt if the borrower does not.

**Guarantor-** A guarantor has the same responsibilities as a co-signer. If the loan goes into default and is not paid by the signer(s) of the loan, the guarantor is responsible.

**Guideline Lease-** A lease written under criteria established by the IRS to determine the availability of tax benefits to the lessor.

**Goodwill-** The difference between the value of the hard assets and the business' selling price. Also called "blue sky."

## H

**Hell-Or-High-Water Clause-** A clause in a lease that reiterates the unconditional obligation of the lessee to pay rent for the entire term of the lease, regardless of any event affecting the equipment or any change in the circumstances of the lessee.

**High 4, 5, 6, or 7-** This is a rating from a financial institution that shows that an account is in the Med (4, 5, 6, or 7) figure range. Example: High 4 (\$8001-\$9999)

## **I**

**Income Statement-** Financial statement showing the value of the hard assets and the business' selling price. Also called "Blue Sky."

**Indemnity Clause-** A clause in which the lessee indemnifies the lessor from loss of tax benefits.

**Indenture Of Trust (Indenture)-** An agreement between the owner trustee and the indenture trustee: The owner trustee mortgages the equipment and assigns the lease and rental payments under the lease as security for amounts due to the lenders. Same as a security agreement or mortgage.

**Interest-** Money Paid (cost of Credit) for the use of money.

**Interest Rate-** The interest expressed as a percentage rate.

**Interim Rent-** This is the rental charge that may be assessed to the lessee for the "usage" of the leased equipment from the time the lease starts (day of funding) and their billing date.

**Inventory-** Assets held for eventual resale. May be in the form of raw materials, work in progress, or finished goods.

## **J**

**Judgment-** A public filing when a plaintiff has taken a person or corporation to court and the ruling was against them. The court will file a judgment against the defendant if found guilty or at fault.

## **L**

**LAN-** Local Area Network- A network of several computers located in the same building.

**Lease-** Contract giving a business owner the right to use an asset for a specified period of time. The asset owner is called the lessor and the owner using the property is called the lessee. Can be used for a building, equipment or machinery.

**Lease/Contract Acceleration-** When a customer has been consistently late and NON responsive to collection efforts of a funding source, they have the right to accelerate the contract/lease. In an accelerated lease/contract, the funding source will take all monthly payments, taxes, late fees, PPT's residual and create an amount owed. This amount is DUE NOW in this case.

**Leasehold Improvements-** Improving your leased business location, at your own expense.

**Lease Schedule-** A lease schedule is a rider to the Master lease document. This adds equipment lists, location & terms to the master lease.

**Legal Land Description-** The location description that is assigned to the property.

**Lessee-** One holding property under a lease. This is the end user.

**Lessor-** One who lets property by a lease. Lessor is another for a funding source or fundor.

**Letter of Credit (L/C)-** Payments to a third party by the lender, on the owner's behalf.

**Leveraged Lease-** In this type of lease, the lessor provides an equity portion (usually 20 to 40 percent) of the equipment cost and lenders provide the balance on a nonrecourse debt basis. The lessor receives the tax benefits of ownership.

**Lien-** A claim against a business' assets to secure payment of a debt.

**Limited Partnership-** Partner that invests in a business and receives a share of the profits (or losses). A partner's liability is limited by the amount of his or her investment. A limited partner does not have any management authority in the operation of the business; the role is purely that of an investor.

**Limited Liability Company (LLC)-** A form of business this is a hybrid between a corporation and a partnership.

**Liabilities-** How much the company owes. Current liabilities are those due within one year. Long-term liabilities are due after one year.

**Line of Credit (LOC)-** A short-term loan.

**Liquid Asset-** Asset that can be turned into cash quickly

**Liquidity-** A company's ability to pay its expenses. The ability to turn an asset into cash (such as selling a piece of machinery)

**Loan Agreement-** The document or contract of the parties that reflects the commitment.

**Loan Committee-** Team that evaluates, approves or denies loan applications. Whether a loan officer or a loan committee decides on a loan request may vary by type of loan and lender.

**Loan Package Documentation-** Documents for the commercial loan contract including financial statements, a business plan, and a credit report. It included legal documents that show the debt, notes, mortgages/leases, and loan agreements.

**Loan Grading-** System of classification that evaluates risk by assigning a number according to risk. Loan grading is used by lenders, and helps lenders to evaluate loan applications and manage loans.

**Long-Term Liabilities-** Expenses, loans, and payables due after one year.

**Low 4, 5, 6, or 7-** This is a rating from a financial institution that shows that an account is in the low (4, 5, 6, or 7) figure range. Example: Low 4 (\$1000-\$3000)

## **M**

**Marketing-** Activities used to sell a product or service to purchaser.

**Market Value-** The price as asset, product or service will bring in a current, competitive market.

**Master Lease-** A lease document that is NOT specific to a term or equipment. This is typically used in commercial transactions where there are several takedowns or schedules to the lease.

**Med 4, 5, 6 or 7)-** This is a rating from a financial institution that shows that an account is in the med (4, 5, 6, or 7) figure range. Example: Mod 4 (\$5001-\$8000)

**Merchant Agreement-** Written agreement between a credit card processing bank and merchants (who allow clients to use credit cards). The bank turns the credit card sales into deposits for the merchant and charges a processing fee.

**Middle Market-** A market segment generally represented by financing ranging from \$250,000 to \$2 million and dominated by single investor leases.

**Mod 4, 5, 6 or 7-** This is a rating from a financial institution that shows that an account is in the med (4, 5, 6, or 7) figure range. Example: Mod 4 (\$3001-\$5000)

**MUNI-** Municipal lease: A lease that is booked with a city or state. This is usually done by a funding source that specializes in these leases.

## **N**

**Net Lease-** A lease wherein rental payments to the lessor do not include insurance and maintenance, which are paid separately by the lessee.

**Net Profit-** Money left after all expenses have been paid. Used to pay loans and to grow the company.

**Net Sales-** Revenue or income from sales after returns and allowances are deducted.

**Net Terms- (Net 30, Net 60)** Net terms provide a state time of repayment. Example; Net 30 is when a customer has 30 days to pay the account in full.

**Net Worth-** Assets Less liabilities.

**Non-Current Assets-** Assets that take one year or more to turn into cash.

**Nonrecourse Loan-** In a leveraged lease, the lenders cannot look to the lessor for repayment. The lender's only recourse is to the lessee and, therefore, the lessee's credit rating is of prime importance.

**Notary Public-** Person Authorized by the state to administer oaths and witness documents. A notary's seal and signature authenticates a document.

**NSF-** Non Sufficient Funds. An NSF is when a payment for a check or ACH is returned due to lack of funds in a checking account.

## **O**

**Open-End Lease-** A conditional sale lease in which the lessee guarantees that the lessor will realize a minimum value from the sale of the asset at the end of the lease.

**Operating Lease-** Any lease that is not a capital lease. These are generally used for short term leases of equipment. The lessee can acquire the use of equipment for just a fraction of the useful life of the asset. Additional services such as maintenance and insurance may be provided by the lessor.

**Outstanding Checks-** Checks that have been sent for payment but are still in the process of being collected by the bank.

**Overdraft-** An overdraft occurs when you do not have enough available funds in your account to cover a check or other withdrawal, but the bank pays the items and overdraws your account.

**Owners' Investment-** The money owners have invested in a business.

## P

**P & L-** Profit and Loss statement-required for commercial transactions.

**Packager-** The leasing company, investment banker, or broker who arranges a leveraged lease.

**Parent Company-** The owning entity of a company if they are not owned by an individual. Example; Boeing is the parent company of Boeing Commercial Aircraft, Inc.

**Partnership-** A type of unincorporated business organization in which multiple individuals, called "general partners", manage the business and are equally liable for its debts; other individuals called limited partners may invest but may not be directly involved in management and are liable only to the extent of their investments. Or more generally, a relationship of two or more entities conducting business for a mutual benefit.

**Pay History-** A credit rating from a funding source or bank re: how the customer pays.

**Pay off-** This is how much a lessee owes the funding source to purchase the equipment. This can be done at ANY time during the lease.

**PC-** Personal credit

**PG-** Personal Guarantee: When an owner or officer guarantees that they will pay a lease payment if the lease defaults.

**POP-** Proof of payment: A written document proving that a collections or lien has been paid or satisfied.

**PPT-** Personal Property Taxes are charged on most tangible times in most states. If a lessee is subject to PPTs, the lessor will charge the lessee directly for them, then submit to the local taxing authorities.

**Prefunding-** When a vendor receives payment for any or all of the financed equipment before delivery and installation.

**Present Value-** The current equivalent of payments or a stream of payments to be received at various times in the future. The present value will vary with the discount interest factor applied to future payments.

**Prime Rate-** The rate of interest per annum announced by the lender from time to time. Most business owners are charged the printed rate plus a percentage (if the prime rate is 6%, the borrower is charged "prime + 2" or 8%)

**Pro Forma-** Forecasting future income, expenses, or cash flow with projections.

**Promissory Note-** A legally binding document that is used to borrow money.

**Purchase Option-** A provision by which a lessee has the right to purchase the equipment at the end of the lease. The purchase option may be stated at a specified amount or at fair market value.

**PUT (10%, 5%)-** Customer MUST purchase at the end of the lease. (For 5% of 10% of the original equipment cost)

## S

**Sale-Leaseback-** An arrangement whereby equipment is purchased by a lessor from the company owning and using it. The lessor then becomes the owner and leases it back to the original owner, who continues to use the equipment.

**Sales-Type Lease-** A lease by a lessor who is the manufacturer or dealer, in which the lease meets the definitional criteria of a capital lease or direct financing lease.

**SD-** Security Deposit is a sum of money that is held by a lessor until the completion of the lease term. If all terms and conditions of the lease are met, the security deposit will be refunded to the lessee. If not, the lessee will forfeit the security deposit and it will NOT go toward the owed balance.

**Seasonal Payments-** A structured lease that makes accommodations for slow periods of the year.

**Secured Loan-** Loan secured by collateral (which will be liquidated if the borrower defaults on the loan).

**Shopped Deal-** This is a term to specify that a lease transaction has been shopped around to many different brokers or lenders. Shopped deals are pretty easy to locate from inquiries on the principal's personal credit.

**Single Investor Lease (See Full Payout or Finance Lease.)-** A tax-oriented lease whereby the lessor achieves its desired rate of return via a combination of the rental payments, depreciation, and the fair market value of the equipment at the end of the original lease term. Because of the value of the tax benefit, the rental payments will be lower than for a finance lease.

**Small-Ticket Leasing-** Transactions under \$250,000, typically using conditional sale leases or single investor true leases.

**Soft Cost-** Costs such as Installation & Training. No tangible assets are attached to these costs on a lease. Software is often considered soft costs. Most lenders have restrictions on how much soft cost can be included on a lease.

**Sole Proprietorship-** A business structure in which an individual and his/her company are considered a single entity for tax and liability purposes.

**SOS-** Secretary Of State

**Split Deal-** A split deal would be when you have a lease transaction that exceeds what one funding source will approve so you pursue another funding source for the remaining requested amount.

**Subchapter S Corporation-** A legal form of business that is incorporated but taxed at the business owners' individual rate of return. Allowed by the IRS for most companies with 75 or fewer shareholders, which enables the company to enjoy the benefits of incorporation but taxed as if it were a partnership.

**Synthetic Lease-** A synthetic lease is basically a financing structured to be treated as a lease for accounting purposes, but as a loan for tax purposes. The structure is used by corporations that are seeking off-balance sheet reporting of their asset based financing, and that can efficiently use the tax benefits of owning the financed asset.

# **I**

**Take Down-** An Additional lease or lease schedule on a open lease approval

**Tangible Asset-** Real property such as buildings and machinery. Trademarks, goodwill, or accounts receivable are not considered tangible assets.

**Tax Lease-** A lease wherein the lessor recognizes the tax incentives provided by the tax laws for investment and ownership of equipment. Generally, the lease rate factor on tax leases is reduced to reflect the lessor's recognition of this tax incentive.

**T/D-** Turn Down

**Term-** A loan's maturity, stated in months or years.

**Term Loan-** Loan, given in one lump sum, is provided at the closing. Repayment is monthly.

**TIB-** "Time in Business"

**Trac Lease-** A tax-oriented lease of motor vehicles or trailers that contains a terminal rental adjustment clause and otherwise complies with the requirements of the tax laws.

**Trade Name-** A corporation or LLC can open another business as a branch of their existing corporation. That branched off business is known as the corporation's trade name or the company they are doing business as.

**Trade Reference-** Someone who the lessee works with on a regular basis and provides equipment or services by credit.

**Trans Union-** A personal Credit reporting agency that is commonly used throughout the U.S.

**Trend Analysis-** A process by which lenders examine business statements and financial ratios to determine if the financial strength is improving or weakening.

**True Lease-** A type of transaction that qualifies as a lease under the Internal Revenue Code. It allows the lessor to claim ownership for tax purposes and the lessee to claim rental payments as tax deductions.

**Trustee-** A bank or trust company that holds title to or a security interest in leased property for the benefit of the lessee, lessor, and/or creditors of the lessor. A leveraged lease often has two trustees: an owner trustee and an indenture trustee.

**T-Value-** A software program that allows amortization schedules to be created. They are used in "structured" transactions to determine monthly payment, rate, etc.

## U

**UCC-** Uniform Commercial Code is a filing that is done with the lessee's state that is a legal public filing claiming ownership of the equipment being the Lessor's.

## V

**VPN-** Virtual Private Network is a WAN that is typically created via a dialup connection (modem) or via the internet using the PPTP protocol.

**Verbal Verification-** This is step two of two in the funding verification. When a lease is ready to be funded, the lessor will make a Verbal Verification phone call the lessee to be sure they understand the Terms and Conditions of the lease.

**Vendor Referral-** A form that is to be filled out by an equipment vendor to provide info to the Lessor or funding source.

**Vendor Leasing-** A working relationship between a financing source and a vendor to provide financing to stimulate the vendor's sales. The financing source offers leases or conditional sales contracts to the vendor's customers. The vendor leasing firm substitutes as the captive finance company of a manufacturer or distributor through the extension of leasing to customers, provisions of credit checking, and performance of collections and operational administration. Also known as lease asset servicing or vendor program.

## W

**WAN- Wide area network-** A network of several computers located in various buildings or locations- typically connected via VPN or tie-line.

**Working Capital-** Difference between current assets and current liabilities. An indication of liquidity and the ability to meet current obligations.

## Y

**Yield-** This is the same as a buy-rate, but is the terminology used by funding sources.

## **#'s**

**1 Only-** Refers to one payment in advance required.

**1+1-** Refers to first and last payment in advance required. The last payment may be held as a security deposit depending on the lender.

**12C-** An HP calculator used to calculate lease rates and other financial functions.

**17B-** An HP calculator used to calculate lease rates and other financial functions. The Updated version of 12C