

2025 CLFP Body of Knowledge

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History & Overview of Equipment Finance and Leasing

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Industrial Revolution

Railroad Industry

Early 1900s

Independent Leasing Companies

Captives

History of Modern Equipment Finance

1950s

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Bank Acceptance of TPOs

Creative Financing Structures & Large-Ticket Leasing

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Form and Substance

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SILO

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Significant Technology Growth

2000 - 2010

Rapid Expansion in the Leasing Industry

Enron

NorVergence

2008 - 2010 Great Recession

The Collapse of Capital Markets
Failure of Long-Time Players
Tightening of Credit Parameters

Expansion of Banks in the Leasing Industry

2010 - Present

Regulation

Dodd-Frank

CFPB

Too Large to Fail

Systematically Important Entity

Low-Interest Rate Environment

Low Delinquency Rates

Assets Under Management

Significant Increase in Equipment Loan Financing vs. Leasing Activity

Tax Cuts and Jobs Act

Accounting Changes

Emphasis on Automation and Efficiency

Fintech

Further Industry-Specific Software and Options

Increase in Technology Investment

ESG (Environmental, Social and Governance)

Effects of COVID-19 On the Industry

Participants in The Industry

Equipment End-Users (Borrower, Lessee, or Governments)

Lessors and Lenders

Third-Party Originating Organizations

Investors

Equipment Suppliers

Service Companies

Trade Associations and Foundations

Regulators

Industry Sector by Transaction Size

Small-Ticket

Middle-Ticket

Large-Ticket

Competition to Equipment Financing

Alternative Finance Companies

Equipment Finance Products – Through Which Lens

Capital Lease

Commercial Term Loan

Conditional Sales Contract

Early Buyout Option (EBO)

Equipment Finance Agreement (EFA)

Fair Market Value Lease (FMV)

Finance Lease

Leverage Lease

Managed Services (Contract Services)

- Money-Over-Money Transaction
- Net Lease
- Nominal Purchase Option
- Non-Tax Lease
- Operating Lease
- Purchase Upon Termination Lease (P.U.T.)
- Rental Agreement
- Sale-Leaseback
- Split-TRAC
- TRAC Lease
- Tax or True Lease

Benefits of Equipment Financing and Leasing

- Cash Flow or Cash Management
- Tax
- Financial Reporting
- Hedge Against Obsolescence
- Convenience and Flexibility
- Financial

Leasing Law

Basis for U.S. Leasing Law

- Statutory, Case, and Regulatory Law
 - Federal Law*
 - State Law*

- General Principles of Contract Law

The Uniform Commercial Code

- Conflicts of Law*

- Choice of Law*

- Legal Definition of a Lease

- UCC Article 2: Sale of Goods

- UCC Article 9: Secured Transactions

- Security Interest*

- Financing Statement*

- Perfecting Title in Inventory and Titled Assets*

- PMSI*

- Reviewing UCC Search Results*

- UCC Article 2a: True Leases

- UCC Article 12: Controllable Electronic Record

Contrasting True Lease and Lease Intended as Security

- Distinctions in Lessee's Bankruptcy

- Interest/Usury

- Collateral Liability

- UCC Rights

- Perfection of Security Interests

- Residual

Legal Entities

- Corporations

“C” Corporation
“S” Corporation
Non-profit Corporation
Professional Corporation (“PC”)

LLCs

General Partnerships and Limited Partnerships

Sole Proprietors

Other Variations of Business Entities

Joint Venture

Association

Trust

Municipality

Federal Government

Qualification to Do Business

Taxes

Licensing and being in “Good Standing”

Financial and Tax Accounting

Financial Accounting

Classification Under ASC 842

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Finance Leases

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Sales and Marketing

Role and Purpose of Sales and Marketing

Sales and Marketing Coordination and Collaboration

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Top of Mind Awareness

Continuous Contact

Tracking Success

Common Equipment Finance Origination Channels

Marketing

Market Segmentation

The Marketing Plan

Components

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Monitoring and Measuring Success of the Marketing Plan

Sales

Sales Participation Throughout the Origination Lifecycle

Communication and Customer Experience

The Necessity of the Niche

Qualifying the Prospect

Filling the Prospect's Needs

Mind the Portfolio

Repeat Business

Proposals/Term Sheets

Typical Sales and Marketing Tools

Contact and Customer Relationship Management

The Direct Origination Channel

Definition

- Purpose
- Challenges
- Benefits
- Drawbacks

The Vendor Origination Channel

- Definition
- Purpose
- Building the Vendor Relationship
- Developing Vendor Programs
- Vendor Program Types and Characteristics
 - Referral Program*
 - Risk Sharing Program*
 - Private Label*

- Vendor Program Features
- Segmentation and Targeting Specifics
- Benefits
- Drawbacks

The Third-Party Origination Channel (TPO)

- Definition
- Purpose
- Similarities to Vendor Origination
- Segmentation and Targeting Specifics
- Benefits
- Drawbacks
- Marketing Efforts

Credit

- Role and Purpose of Credit
 - 5 Cs of Credit
 - Risk Appetite Framework
 - PD, LGD, EAD, EL*

Credit Process

- Small-, Medium-, and Large-Ticket

Credit Request/Credit Application

Data Gathering and Due Diligence

- Know the Origination Channel
- Know Your Customer

Credit Analysis

- Credit Evaluation Tools
- Financial Statement Analysis Techniques
 - Industry Review and Comparison*
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Profitability Ratios

- Gross Profit Margin
- Operating Profit Margin
- Net Profit Margin (Return on Sales or Profit on Sales)
- Return on Assets (ROA)
- Return on Equity (ROE)

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- Current Ratio
- Quick Ratio
- Accounts Receivable Turnover
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- Debt to Equity (Total Liabilities to Net Worth)
- Debt To EBITDA
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Deal Structuring

- Credit Enhancements
- Additional Collateral and other Credit Enhancements

Credit Decision

- Small-, Mid- and Large-Ticket Decisioning

Credit Scoring and Analysis

- Building and Using a Scorecard
- Risk Acceptance Criteria & Making Decisions
- Scoring Methodology
- Implementation Considerations
- Future of Credit Scoring
 - Auto-Decisions*
 - AI*

Lease Pricing

Lease Pricing Fundamentals

- Time Value of Money Concept
- Terminology
 - Yield*
 - Implicit Rate*
 - Running Rate or Stream Rate*
 - Lease Rate or Lease Rate Factor*
 - Discount Rate*
 - Internal Rate of Return*
 - Points*
 - Basis point*

- Arriving at a Desired Lessor Yield

- Calculating Present Value

 - Major Variables*
 - Minor Variables*
 - Solving for Any Unknown Element in The Transaction*

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Application of The Cash Flow Diagram to The Lease Transaction

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Computing Unusual Payment Structures

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CFPB (Consumer Financial Protection Bureau)

ECOA (Equal Credit Opportunity Act) (Reg B)

FDCPA (Fair Debt Collection Practices Act)
UDAAP (Unfair, Deceptive, or Abusive Acts or Practices)
BSA (Bank Secrecy Act)/AML (Anti Money Laundering)/USA PATRIOT Act
OFAC (Office of Foreign Assets Control) and FinCEN (Financial Crimes Enforcement Network)
FDICIA (Federal Deposit Insurance Corporation Improvement Act)
Beneficial Ownership Interest
SCRA (Servicemembers Civil Relief Act)
SOC (Service Organization Control)

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Standard Funding Package

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Insurance
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