

Academy for Lease & Finance Professionals

Pricing Example



Lessee is acquiring a machine tool for \$89,000 including sales tax. He wishes to structure a 5-year lease with a \$1.00 purchase option. The lessee wants to put 5%, or \$4,450, down on the lease to reduce payments. The lessor has a cost of money of 6.5% and wants to make 8 points upon discounting the transaction. He structures the transaction as a 61-month lease with the first payment being equal to the 5% down that was requested by the lessee, and then 60 equal remaining payments. The lessee agrees to this structure.

What is the lessee's monthly payment and lease rate factor?

Academy for Lease & Finance Professionals

Pricing Example



Answers:

Payment: **\$1,793.63**

Lease Rate Factor: **0.02015**

How to get the answer*

**note that the residual of \$1 will only change the payment amount within pennies*

USING THE CALCULATOR

LEASE = 84,550 I% = 6.5 TERM = 60 FEE = 7,120 (8% of \$89,000) **Solve for PMT**

For the lease rate factor - 1,793.63/89,000

USING TVALUE:

Compounding Period: Monthly		Nominal Annual Rate: 6.500 %		Label:	
EVENT	DATE	AMOUNT	NUMBER	PERIOD	END DATE
1	Lease	01/01/2025	89,000.00	1	
2	Commission	01/01/2025	7,120.00	1	
3	Lease Payment	01/01/2025	4,450.00	1	
4	Lease Payment	02/01/2025	Unknown	60	Monthly 01/01/2030