

Absolute Value	Looks only at the asset's intrinsic value and does not compare to other assets.
Accelerated Cost Recovery System (ACRS)	a system of rapid depreciation of the costs of most assets for federal income taxation.
Accelerated Depreciation	A depreciation method, usually for tax purposes, in which an asset's cost can be deducted in a faster manner than straight-line depreciation, allowing the owner of the asset to take more depreciation in the earlier years of an asset's life and less depreciation in the later years.
Acceleration Clause	A provision in a financial instrument, which provides that the occurrence of a default by one party makes that party's outstanding balance to the other party immediately due and payable.
Accounts Payable	Amounts owed by a business to its creditors.
Accounts Receivable	Amounts owed to a business by its debtors. The term is usually used in reference to amounts owed by customers.



Accrual Basis	A method of accounting that shows expenses as incurred and income as earned even though such expenses and income have yet to be actually paid or received.
Accrual Basis Accounting	A method of accounting that recognizes revenues and expenses when the transaction is incurred. Thus, income is recognized when earned (a good is delivered or a service provided) and expenses are recorded when incurred. Revenue is recorded in the same period (matched) as its related expenses.
Accrued Expenses	Expenses incurred but not yet paid.
Acid Test	The ratio between current assets (less inventory) and current liabilities as shown on a balance sheet. This test provides some indication of a party's liquidity. (Also, known as the "quick ratio").
Acknowledgment	A formal statement by a party before a notary public to the effect that they have executed a specific instrument or document.
Additional Insured	A party other than a party in whose name insurance is issued who is also protected against losses covered by such policy.

<p>Advance Payments</p>	<p>One or more lease payments required to be paid to the lessor at the beginning of the lease term. A lease, commonly paid “in advance,” requires the first payment up-front. The lessor can negotiate any number of additional rentals to be paid in advance with the first month’s rent.</p>
<p>Advance Ruling</p>	<p>A request directed to the Internal Revenue Service, which seeks an advance ruling that a particular transaction will be recognized as a lease (or some other specific type of transaction).</p>
<p>After-Acquired Property Clause</p>	<p>A provision in a security agreement that gives the creditor a security interest in the property of the debtor acquired after the date of the security agreement. Normally found in addition to blanket lien language in a security agreement.</p>
<p>Agent</p>	<p>A person who has the legal authority to act for and represent another party in dealing with third parties.</p>
<p>Agreement</p>	<p>The bargain of the parties in fact as found in their language or by implication from other circumstances.</p>
<p>Allowance for Loan and Lease Losses (ALLL)</p>	<p>Determined based on the incurred loss methodology and is an estimated loan and lease loss reserve for bad debt; it sets funds aside to cover future losses. It involves a degree of management judgment to estimate the uncollectible amounts used to reduce the book value of loans and leases to the amount that a bank expects to collect. A credit loss reserve.</p>

Alternative Minimum Tax (AMT)	A tax calculation which calls for the payment of the higher of the taxpayer's regular taxable income or this liability, based on the taxpayer's preferences for the year. It is triggered by an event such as accelerated depreciation, thus preventing a taxpayer to excessively reduce its tax liability.
Amortization	Concerning a loan, the process of reducing a debt obligation through periodic payments. The payments usually include both an interest and principal component. In accounting terms, the spreading of the cost of an asset over its useful life for financial statement and/or tax purposes.
Application Programmable Interfaces (APIs)	The means to which different disparate systems can integrate with each other. For example, they allow systems of record to talk to services such as credit bureaus, UCC providers, tax rate services, eSignatures, and more. Also referred to as microservices.
Appraisal	An evaluation of the value of a specific item of property, usually as conducted by a person with expertise concerning such property.
Appreciation	The increase in the value of an asset over time.
Artificial Intelligence (AI)	A branch of computer science dealing with the ability of a machine to perform cognitive functions associated with human minds. Examples include robotics, autonomous vehicles, machine vision, language processing, virtual agents, machine learning, and deep learning.

Asset	An item of value
Asset Depreciation Range (ADR)	A system for the depreciation of the costs of most assets for purposes of federal income taxation. The system was substantially replaced by the ACRS system according to the Economic Recovery Tax Act of 1981 and replaced itself by MACRS in the 1986 Tax Reform Act.
Assign	To transfer or exchange future rights. In leasing, the right to receive future lease payments is usually transferred to a funding source in return for up-front cash. The up-front cash represents the loan proceeds from the funding source and is equal to the present value of the future lease payments discounted at the leasing company's cost of borrowing.
At-Risk Rules	Laws limiting the amount of losses a passive investor (usually a limited partner) can claim. Only the amount actually at risk can be deducted currently.
Attorney-in-Fact	One who has been given a power of attorney by another.
Bailment	The delivery of one's personal property to another with an obligation upon the recipient to return it.



Balance Sheet	A list of one's assets and liabilities and their difference (net worth) on a precise date.
Balloon Payment	A payment on a loan that is unusually large in comparison to the other payments on the loan. Usually the final payment on a loan.
Bankruptcy	The financial condition of insolvency, particularly when such insolvency has resulted in the filing of a petition for reorganization or liquidation under Title 11 of the United States Code.
Bargain Purchase Option	A provision allowing the lessee, at their option, to purchase the leased property for a price sufficiently lower than the expected fair value of the property at the date the option becomes exercisable, so that exercise of the option is reasonably assured at the inception of the lease.
Bargain Renewal Option	A provision allowing the lessee, at their option, to renew the lease for a rental sufficiently lower than the fair rental of the property at the date the option becomes exercisable, so that exercise of the option is reasonably assured at the inception of the lease.
Basis (or Tax Basis)	The original cost of an asset plus other capitalized acquisition costs such as installation charges and sales tax. Reflects the amount upon which depreciation charges are computed.



Basis Point	Units of 1 percent with each unit being 0.01 percent (1/100 percent (e.g., “50 ” is one-half of one percent)).
Bill of Sale	A written document that evidences the transfer of ownership of property.
Blind Discount Program	Subsidized rate arrangements such as 0 percent financing for a customer.
Book to Tax Adjustment	The reconciliation of book and taxable income and deductions. Differences exist because of the differences between Generally Accepted Accounting Principles and tax law.
Book Value	Value according to accounting records, which may or may not be real market value.
Broker	The middleman who brings together lessors or funding sources, lessees, and vendors for the purpose of executing a transaction and who receives a commission for such service.

Bundled Lease (AKA Full-Service Lease)	A lease that includes many additional services such as maintenance, insurance, and property taxes that are paid for or performed by the lessor; the costs are included in the lease payments.
Capital Lease	From a financial reporting perspective, a lease that has the characteristics of a purchase agreement and also meets certain criteria established by the Accounting Standards Codification (ASC 840). Such a lease is required to be shown as an asset and a related obligation on the balance sheet.
Captive Lessor	A leasing company that has been set up by a manufacturer or dealer of equipment to finance the sale or lease of its own products to end-users or lessees.
Cash Basis	A method of accounting that shows expenses and income only when paid or received.
Cash Basis Accounting	A method of accounting that recognizes revenue and expenses only when the corresponding cash is received, or payments are made. Thus, you record revenue only when a customer pays for a billed product or service, and you record an expense only when it is paid by the company.
Cash Flow	Income inflows and expense outflows over a specified period.

Certificate of Insurance	A statement from an insurance company or its agent that a certain policy has been written and usually summarizes the policy's coverage.
Charge-Off	In the case of severe delinquency, a declaration by a creditor that an amount of debt is not likely to be collected.
Chattel	Personal property
Chattel Paper	A document that is a promise to pay and is either secured by personal property (such as equipment) or gives the person obligated to make payments the right to possess and use personal property.
Closing	The meeting at which all parties to a transaction sign and exchange all documents necessary to finalize the transaction.
Co-Lessee	An additional lessee to a lease. The lease will usually provide that the co-lessee is jointly and severally liable on the lease with the lessee.

Collateral	Security, usually property (real, personal, or intangible), pledged to secure the performance of an agreement.
Commercial Term Loan	A loan agreement between a business and financial institution with a fixed maturity date and stipulated periodic payments.
Commitment Fee	A fee required by the lessor, at the time a proposal or commitment is accepted by the lessee, to lock in a specific lease rate and/or other lease term. Results in a document prepared by the lessor that details its commitment, including rate and term, to provide lease financing to the lessee.
Common Law	The body of law developed through custom and usage as recognized and espoused by the courts.
Complaint	The plaintiff's initial, formal version of its lawsuit against a defendant.
Compound Interest	Interest computed on the sum of principal and accrued interest as of the date of computation.

Conditional Sales Contract	An arrangement in which a buyer takes possession of an item, but its title and right of repossession remains with the seller until the buyer pays the full purchase price (usually in installments).
Consideration	The inducement to a contract; the value given for a contract. May be money, property, a promise, forbearance or any other thing, act, benefit, or value.
Contingent Rentals	The increases or decreases in lease payments that result from changes occurring subsequent to the inception of the lease in the factors (such as the amount of future use, percent of future sales) on which lease payments are based.
Continuation Statement	The amendment used to extend the effectiveness of a UCC-1 beyond the date which is five years after the date of its filing.
Contract	The total legal obligation, which results from an agreement.
Corporation	A company or group of people authorized to act as a single entity and recognized legally as a person. It has a continuity of existence without regard to transfers of interest in it.

Cost of Capital	The weighted-average cost of funds that a firm secures from both debt and equity sources to fund its assets.
Cost of Debt	The costs incurred by a firm to fund the acquisition of assets through the use of borrowings. The firm's cost of debt component is used in calculating the firm's overall weighted-average cost of capital.
Cost of Funds (COF)	The interest rate paid by financial institutions for the funds deployed in their business (the cost of borrowing).
Covenant	A promise to do something or that certain facts are true.
Cramdown	In the case of bankruptcy, the judge can often force the creditors to accept a reorganization plan in which the lender's recovery will be limited to the fair market value of the collateral – not the agreed loan repayment. This is only true for loans and leases intended as security, not true leases.
Credit	A tax incentive that allows taxpayers to subtract the amount of the credit they have accrued from the total tax they owe.

Credit Line	The total amount of credit a financial institution makes available to one of its debtors.
Cross-Border Leasing	The providing of leasing or financing by a funder in one country for a lessee or borrower in another country. Such transactions are subject to each country's applicable tariffs.
Current Assets	Assets, which are readily converted into cash.
Current Expected Credit Loss (CECL)	The new accounting standard to forecast all future losses on the current portfolio.
Current Liabilities	Liabilities, which must be satisfied within one year.
Current Ratio	The ratio of current assets to current liabilities.



Customer Information Program (CIP)	Customer due diligence process which may include various background checks and verification to comply with applicable regulations and internal company policies.
Customer Relationship Management System (CRM)	A system of record for tracking interactions and activities with contacts, prospects, leads, and accounts. This data allows you to track your sales pipeline.
Debt	Money that is owed or due.
Deduction	An expense applied against income, primarily to arrive at taxable income. Deductions are generally limited to items that are ordinary and necessary to operating a business.
Defeased	A debt is considered this when a borrower deposits enough cash into a pledged or restricted account to service the borrower's debt.
Defendant	A party who must defend a lawsuit.

<p>Delivery and Acceptance Certificate (D&A)</p>	<p>A document that is signed by the lessee to acknowledge that the equipment to be leased has been delivered and is acceptable. Many lease agreements state that the actual lease term commences once this is signed.</p>
<p>Depreciation</p>	<p>A means for a firm to recover the cost of a purchased asset, over time, through periodic deductions or offsets in income. Used in both a financial reporting and tax context and is considered a tax benefit because the depreciation deductions cause a reduction in taxable income, thereby lowering a firm's tax liability.</p>
<p>Direct Financing Lease</p>	<p>A lease classification per ASC 842 for a lessor. If a transaction meets the classification criteria for a sales-type lease and the 90% test is passed because there is a residual guarantee from an unrelated third- party, it is classified as this type of lease.</p>
<p>Discount Rate</p>	<p>A certain interest rate that is used to bring a series of future cash flows to their present value to state them in current, or today's dollars.</p>
<p>Discounted Lease</p>	<p>A lease in which the lessor assigns the payment stream to a funding source in return for the immediate payment of the present value of the stream of payments assigned.</p>
<p>Dividend</p>	<ol style="list-style-type: none"> 1) The profits of a corporation as distributed to a shareholder. 2) A share of a fund.

Drop to Paper	In the context of e-titles, this is a process that converts the electronic document to a paper document for purposes of transfer.
Early Buyout Option (EBO)	A lease containing an option for the lessee to pay off the lease and buy the equipment for a premium at a specified point during the contract term.
Early Termination	The termination of a lease before the end of its original term.
End-of-Term Options	Options stated in the lease agreement that gives the lessee flexibility in its treatment of the leased equipment at the end of the lease term.
Equal Credit Opportunity Act (ECOA)	A law that applies to any person who, in the course of business, regularly participates in credit decisions and includes banks, finance companies, and credit unions.
Equipment Finance Agreement (EFA)	An agreement, which resembles the structure of a finance lease, but provides for the lender/secured party to lend the obligor/borrower an amount for the purchase of specified equipment.



<p>Equipment Trust</p>	<p>A trust established for the purpose of purchasing and/or owning equipment for lease. Such trusts are utilized in the leasing of major capital assets such as aircraft, ships, and railcars.</p>
<p>Equity (Investor)</p>	<p>An ownership interest in a business or property.</p>
<p>Estimated Economic Life of Leased Property</p>	<p>At the inception of the lease, the estimated remaining period during which the property is expected to be economically usable for its intended purpose by one or more users.</p>
<p>Executory Costs</p>	<p>Those costs such as insurance, maintenance, and taxes incurred for the leased property, whether paid by the lessor or lessee. Amounts paid by a lessee as consideration for a guarantee from an unrelated third party of the residual value are also these.</p>
<p>Expected Loss</p>	<p>The calculation used by bank lessors as part of the collateral assessment of risk for large-ticket transactions.</p> <p style="text-align: center;">$\%PD * LGD * EAD = \text{this}$</p>
<p>Exposure at Default (EAD)</p>	<p>Exposure at Default is part of the calculation to determine Expected Loss for large-ticket transactions. (Basel II requirement for bank lessors).</p>

<p>Factoring</p>	<p>The assignment by a lessee or debtor of accounts receivable to a lessor or creditor as collateral for a specified term and payment amount, resulting in liquidity, which can be used to improve cash flow or make capital equipment acquisitions.</p>
<p>Fair Market Value</p>	<p>The value of a piece of equipment if the equipment were to be sold in a transaction determined at arm's length, between a willing buyer and a willing seller, for equivalent property and under similar terms and conditions. Simply, the actual market value of the leased asset.</p>
<p>Fair Market Value Lease (FMV)</p>	<p>A lease containing an option for the lessee to purchase leased property at the end of the lease term at its then fair market value.</p>
<p>Fair Value of Leased Property</p>	<p>The price the property could be sold for in an arm's length transaction between unrelated parties.</p> <ul style="list-style-type: none"> - Normal selling price, net of volume or trade discounts, for a lessor who is a manufacturer or dealer.
<p>Farm Credit System</p>	<p>A cooperative network of agricultural borrowers that are governed by stockholders and directors. It was established by Congress in 1916 to provide a reliable source of credit for the nation's farmers and ranchers.</p>
<p>ASC 840/842 (FKA FASB 13)</p>	<p>Statement of Financial Accounting Standards issued by the Financial Accounting Standards Boards to set forth the generally accepted accounting procedures for lessor and lessee accounting and financial statement reporting. The statement established criteria by which leases were classified as either a capital lease or an operating lease.</p>

<p>Finance Lease</p>	<p>A net lease, which has as its purpose in the financing of the use of the property for a major portion of the property's useful life. The term is typically used in reference to leases written by third-party lessors. The term is often confusingly used to refer to a conditional sale in the form of a lease transaction. Finally, the term is a specified lease classification type under ASC 842</p>
<p>Financing Statement</p>	<p>Notice of security interest filed under the UCC. Under Revised Article 9 of the UCC, it is filed with the secretary of state in the state in which the lessee is incorporated.</p>
<p>FMV Lease Option</p>	<p>Provides that at the end of the lease, a determination is made as to the then-value of the equipment, at which point the lessee is given an opportunity to purchase it for that amount. Normally indicative of a true lease, but the presence of the option does not necessarily ensure a finding that it is a true lease.</p>
<p>Forbearance</p>	<p>The action of refraining from exercising a legal right, especially enforcing the payment of a debt.</p>
<p>Forbearance Agreements</p>	<p>Similar to extensions, used allow a lessee some "breathing room." In many cases, the lessor may require a change to the terms of the lease (rate, collateral, additional guarantors, etc.)</p>
<p>Forced Liquidation Value (FLV)</p>	<p>The amount of money that a company would receive if it sold its assets in an auction immediately. The idea behind this is to get an estimate of the financial position of the company in the worst possible situation and circumstance. The basis is the assumption that the business will sell its assets in the quickest time possible, which will usually lead to a low price.</p>

<p>Foreign Sales Corporation (FSC)</p>	<p>Under the U.S. Internal Revenue Code, this was a type of tax device that allowed companies to receive a reduction in U.S. federal income tax for profits derived from exports.</p>
<p>Full Payout Lease (AKA Full Payment Lease)</p>	<p>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 property's future residual value.</p>
<p>Funding Audit</p>	<p>A critical step in the final examination of the executed contract document package before funding an equipment lease or equipment finance transaction.</p>
<p>Funding Source</p>	<p>A party who provides financing for a lease transaction. Brokers frequently use the term in reference to lessors, but lessors can also use it in referring to those parties who provide lessors with the funds they use to purchase equipment.</p>
<p>Funds Transfer Pricing (FTP)</p>	<p>A method used to individually measure how much each source of funding is contributing to overall profitability. The process is most often used in the banking industry as a means of outlining the areas of strength and weakness within the funding of the institution.</p>
<p>GAAP (Generally Accepted Accounting Principles)</p>	<p>The accounting principles used in the preparation of financial statements as outlined in FASB.</p>

Good Faith	Honest intention and action
Gross Investment	The aggregate of the minimum lease payments receivable by a lessor under a capital lease and any unguaranteed residual value accruing to the lessor.
Guarantor	One who is obligated on a guaranty agreement.
Guaranty	An agreement to answer for the debt or obligation of another if that other party fails to pay or perform.
Half-Year Convention	A depreciation method that treats all property acquired during the year as being acquired exactly in the middle of the year- meaning that only half of the full year of depreciation is allowed in the first year, with the remaining balance deducted in the final year of the schedule.
Half-Year Convention Taxpayer	A taxpayer who must use the half-year convention in computing its MACRS deductions because it does not place more than 40 percent of its property into service during the last quarter of its tax year.



<p>Harvest Plan</p>	<p>In agricultural lending, this refers to a structure where an entity borrows money early in the year and skips several months before making an annual payment.</p>
<p>Hell-Or-High-Water Clause</p>	<p>Lessee must make rental payments for the equipment irrespective of any claim it may have against the lessor and without setoff.</p>
<p>Implicit Interest Rate</p>	<p>The discount rate that equates the present value of the minimum lease payments and any unguaranteed residual to the fair value of the leased property, minus any investment tax credit retained by the lessor.</p>
<p>Incremental Borrowing Rate</p>	<p>The rate that, at the inception of the lease, the lessee would have incurred to borrow, under like terms, the funds necessary to purchase the leased asset.</p>
<p>Indemnification</p>	<p>To indemnify (compensate for damage or loss) and hold lessor fully harmless from and against any such claim, including all costs of defense and attorney fees.</p>
<p>Indemnify</p>	<p>To reimburse another for a loss.</p>

Indemnity	An agreement to reimburse another for a loss. ✂
Independent Lessor	A type of leasing company that is independent of a vendor or manufacturer and, as such, purchases equipment from various unrelated manufacturers or dealers. The equipment is then leased to the end-user or lessee. This type of lessor may also be called a third-party lessor.
Initial Direct Costs (IDC)	Only those costs incurred by the lessor that are 1) costs to originate a lease incurred in transactions with independent third parties that a) result directly from and are essential to acquiring that lease and b) would not have been incurred had that lease financing transaction not occurred; and 2) certain costs directly related to specified activities performed by the lessor for that lease.
Installment Credit	A type of credit that has a fixed number of payments, in contrast to revolving credit.
Installment Loan	Any loan, the terms of which call for regular or irregular periodic payments, the sum of which will repay the debt and interest.
Insurance Binder	A temporary document used as proof of insurance and confirmation that the customer has applied to purchase an insurance policy.

Interest	A charge for the use of money. 
Interim Rent	A charge for the use of equipment from delivery date until the base term of the lease commences. The use allows the lessor to have a common commencement date for its leases.
Internal Rate of Return (IRR)	The unique discount rate that equates to the present value of cash flows (i.e., lease payments, purchase option) to the present value of the cash outflows (equipment or investment cost). The most common method used to compute yields.
Investment Tax Credit (ITC)	A credit against taxes otherwise due from a taxpayer under the Internal Revenue Code. The credit is generally computed as a percentage of the costs of certain types of assets. (See IRC Sections 38 and 46-50).
Invoice Factoring	This solution accelerates the cash flow of the business in exchange for a slight discount on the face value of the invoice.
Joint and Several	A liability involving two or more parties in which each party is liable individually and independently as well as together.

Know Your Customer (KYC)	Customer due diligence process which may include various background checks and verification to comply with applicable regulations and internal company policies.
Landlord Waiver	A document in which a landlord acknowledges that certain property on its tenant's premises is owned by a third-party (the lessor) and is leased to the tenant and in which a landlord agrees to recognize and not interfere with the lessor's rights respecting the lessor's property.
Lease	A transaction in which use and possession of, but not title to, tangible personal property is transferred for consideration.
Lease (Tax Definition)	A transaction in which the lessor is the owner of the equipment and receives tax benefits of ownership, including depreciation and tax credits. The lessee may claim the lease payment as an operating expense deduction in exchange for its right to use the asset.
Lease Agreement	The contractual agreement between the lessor and the lessee that sets forth all the terms and conditions of the lease.
Lease Broker	An entity that provides one or more services in the lease transaction but does not retain the lease transaction for its own portfolio. Such services include finding the lessee, working with the equipment manufacturer or dealer, securing debt financing for the lessor to use in purchasing the equipment, and locating the ultimate lessor or equity participant in the lease transaction.

<p>Lease Intended as Security</p>	<p>A transaction in which the form is a lease, but the substance is a conditional sales contract or a loan with a security agreement on the property.</p>
<p>Lease Line</p>	<p>A committed amount by a funding source, which is used by a lessor to acquire equipment for lease to a lessee.</p>
<p>Lease Origination</p>	<p>The process of uncovering, developing, and consummating lease transactions. Steps in the process could include, but are not limited to, prospecting for new lease business, pricing potential transactions, performing credit reviews, and completing the necessary documentation.</p>
<p>Lease Payment</p>	<p>The periodic payment made during the lease term. Such payments are frequently a level amount paid periodically over the lease term.</p>
<p>Lease Term</p>	<p>The fixed, non-cancelable term of the lease plus the period covered by bargain renewal options</p>
<p>Lessee</p>	<p>The user of the equipment that is the subject of a Lease Agreement.</p>

Lessor	The owner of the equipment that is the subject of a Lease Agreement.
Leveraged Lease	Any of several specific types of leases involving, at a minimum, a lessee, a lessor, and a funding source from whom the lessor borrows a significant portion of the cost of the equipment and takes an equity position in the remainder.
Liability	An obligation that one is legally bound to satisfy.
Lien	An encumbrance upon property.
LILO - Lease in Lease Out	A specific type of leveraged lease transaction where defeasance was a distinguishing feature of the lease.
Limited Liability Company (LLC)	A type of business entity that came into existence during the 1990s, which consists of one or more members which may be individuals, partnerships, limited partnerships, trusts, estates, associations, corporations, other limited liability companies, or other business entities. The members are afforded limited liability similar to shareholders of a corporation and have pass-through taxes comparable to a partnership.

<p>Limited Liability Partnership (LLP)</p>	<p>A partnership in which some or all partners (varies by jurisdiction) have limited liabilities. Therefore, it exhibits elements of partnerships and corporations. Each partner is not held responsible or liable for another partner's negligence or misconduct.</p>
<p>Line of Credit</p>	<p>A pre-approved amount of borrowing allowed a debtor by a creditor.</p>
<p>Loan Loss Reserve Fund</p>	<p>Valuation reserve against total leases or loans on the balance sheet, representing the amount thought to be adequate to cover estimated losses in the portfolio. This fund may consist of actual cash from the lessor or borrowed money. When a lease or loan is charged off, it is removed from the portfolio as an earning asset and its book value is deducted from the reserve account for loan losses. Recoveries from the liquidation of collateral repossessed from the lessee are credited to the reserve account.</p>
<p>Loss Given Default (LGD)</p>	<p>Refers to the amount of money a bank or other financial institution would lose should a borrower default on loan.</p>
<p>Loss Payee</p>	<p>A party entitled to receive proceeds from an insurance settlement arising in connection with a covered casualty or loss.</p>
<p>Machine Learning</p>	<p>A branch of artificial intelligence, machine learning is a data analysis method that automates analytical model building based on the idea that systems can identify patterns, learn from data, and make decisions with minimal human intervention.</p>

<p>Managed Services (Contract Services)</p>	<p>A service level agreement (SLA) between a Managed Service Provider (MSP) and its client that outlines both parties' responsibilities, including which services the MSP will provide, minimum response time, and liability protection for the MSP. The contract also specifies the payment structure.</p>
<p>Manufacturer Certificate of Origin (MCO) AKA Manufacturer Statement of Origin (MSO)</p>	<p>The official document of ownership produced by the Original Equipment Manufacturer (OEM), which contains vehicle specifications and vehicle identification number. It serves as proof of ownership before the creation of the title.</p>
<p>Master Lease</p>	<p>A lease document, not a lease classification, that allows a lessee to obtain additional leased equipment under the same basic lease terms and conditions originally agreed to, without having to renegotiate and execute a new lease contract with the lessor.</p>
<p>Merchant Cash Advance (MCA)</p>	<p>An advance on future credit card receivables with payments calculated based on the total amount to repay. It is generally a percentage based on the borrower's or merchant's credit card volume.</p>
<p>Microservices</p>	<p>The external application services used to conduct business. These services may be accessed directly via their online applications, or by integrating with internal systems. Examples include services to calculate sales tax, perform UCC lien searches, and pull consumer credit bureaus.</p>
<p>Middle Market</p>	<p>A nebulous term that denotes the size of the transactions in which a market is generally involved. A common designation of the is for transactions between \$100,000 and \$2 million</p>

<p>Minimum Lease Payments</p>	<p>All payments the lessee is obligated to make under the lease agreement, except any lessee guaranteed payments in support of lessor debt and executory costs (i.e., insurance, maintenance, and taxes).</p>
<p>Money-Over-Money Transaction</p>	<p>A non-tax lease or conditional sales contract in the guise of a lease in which the title is intended to pass to the lessee at the end of the lease term.</p>
<p>Mortgagee Waiver</p>	<p>A document in which a mortgagee acknowledges that certain property on its mortgagor's premises is owned by a third party (the lessor), and is leased to the mortgagor, and in which the mortgagee agrees to recognize and not interfere with the lessor's rights respecting its property.</p>
<p>Municipal Lease</p>	<p>A lease to a municipality or other state or local government or governmental agency, which may be, but is typically not a true lease, but from which the interest earnings to the lessor are tax-exempt.</p>
<p>NAICS</p>	<p>The standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.</p>
<p>Net Lease</p>	<p>A lease in which all costs in connection with the use of property, such as maintenance, insurance, and property taxes, are paid for separately by the lessee and are not included in the rental payment to the lessor.</p>

Net Present Value	The total discounted value of all cash inflows and outflows from a project or investment.
Nominal Option (CS)	A purchase option that allows the lessee to purchase the equipment at the end of the lease for \$1, or some other minimal payment, such that they are extremely likely to exercise the option and the lessor is unlikely to have a “meaningful residual interest.”
Non-Appropriation Clause	A provision in a municipal lease which addresses the contingency that the municipal lessee’s governing body may not appropriate funds to pay lease payments in future fiscal years.
Non-Recourse	A type of borrowing in which the borrower is not at-risk for the borrowed funds. The lender expects repayment from the lessee and/or the value of the leased equipment; hence, the lender’s credit decision will be based upon the creditworthiness of the lessee, as well as the expected value of the leased equipment.
Non-Tax Lease	Any lease in which the lessee is, or will automatically become, the owner during or at the end of the lease term of the property and, therefore, is entitled to all the tax benefits of ownership. Any lease, which in substance, is, in fact, a conditional sales contract, money-over-money transaction, purchase money security agreement, or other lease intended as security.
Open-End Lease AKA Half Open-End Lease	A lease in which the lessee guarantees the future residual value of the property to be realized by the lessor at the end of the lease.

Operating Lease	From an accounting perspective, any lease that has the characteristics of a usage agreement and also fails to meet any of the criteria set forth under ASC 842 for a finance lease.
Option to Purchase	A right to purchase a property at a future date; a call.
Orderly Liquidation Value (OLV)	Typically part of an appraisal of hard tangible assets (i.e., equipment). It is an estimate of the gross amount that the tangible assets would fetch in an auction-style liquidation with the seller needing to sell the assets on an “as-is-where-is” basis.
Origination System	A system of record for lease and loan origination data from quoting to a credit application, all the way through documentation and funding. This data enables lessors and lenders to track the progress of origination pipelines across all stages of the origination lifecycle.
Paper Out	A process used for electronic documents to convert the electronic document to a paper document for the purposes of transfer.
Partial Open-End Lease	A lease in which the lessee guarantees the residual value of the property but does not share in any appreciation of the property.

Partnership	A business enterprise owned by two or more parties who are jointly and severally liable for all business liabilities and who share management authority.
Payments in Advance	A payment stream in which the lease payment is due at the beginning of each period during the lease.
Payments in Arrears	A payment stream in which each lease payment is due at the end of each period during the lease.
Payoff	A payoff is an amount that will retire a debt or other obligation at any given point in time. The term has commonly been used in reference to both loans and non-cancelable leases.
Personal Property Tax	A tax on the ownership of personal property; a type of ad valorem tax imposed by certain states and their political subdivisions.
Placed in Service	in use for its intended purpose.

Plaintiff	A party who brings a lawsuit.
Pledge	A bailment of property to a creditor to secure payment of debt or performance of some obligation.
Points	One percent or one percentage point (1.00 percent); a point also represents 100 basis points.
Portfolio Characteristics	The data elements used in portfolio segmentation and calculation of performance indicators.
Portfolio Management System	A system of record for funded and booked leases and loans. It tracks the transaction, asset, and customer account data for the life of the transaction. This data serves as a key input for portfolio monitoring, billing, collecting, customer service, and asset and end of lease management.
Portfolio Performance Indicators	Statistical measurements used to compare historical norms to business goals and identify trends in a portfolio.



Portfolio Segmentation	The division of the portfolio and market data into subsets or groupings consisting of specific characteristics and concentrations for further analysis.
Power of Attorney (POA)	This is written authorization to act on behalf of another for specified actions.
Present Value	The discounted value of a payment or stream of payments to be received in the future, taking into consideration a specific interest or discount rate. The value represents a series of future cash flows expressed in today's dollars.
Principal	The amount borrowed or the superior authority in a relationship.
Probability of Default (PD)	Provides an estimate of the likelihood that a borrower will be unable to repay debt obligations.
Progress Payments	Payments required by an equipment vendor or manufacturer before delivery of equipment to be leased. The payments lessen the outlay necessary for the vendor to purchase the equipment or the manufacturer to build the equipment, and it adds an economic penalty if an order is canceled mid-stream.

Proprietorship	A business enterprise owned by one person who is directly liable for all business liabilities.
Purchase Money Security Interest (PMSI)	A property to secure the payment of the purchase price of the property.
Purchase Option	An option in the lease agreement that allows the lessee to purchase the leased equipment at the end of the lease term for either a fixed amount or at the future fair market value of the leased equipment.
Purchase Order	An offer for the purchase of an item of property. Will normally specify the terms and conditions under which the buyer is willing to make the purchase; when accepted by the seller it becomes the contract.
Purchase Upon Termination (PUT)	An agreement between the lessor and lessee wherein the lessee agrees to buy, and the lessor agrees to sell, the leased equipment for a predetermined amount upon termination of the lease.
PUT Agreement	Agreement between the lessor and lessee wherein the lessee agrees to buy, and the lessor agrees to sell, the leased equipment for a predetermined amount.

Quick Ratio	The ratio between current assets (less inventory) and current liabilities as shown on a balance sheet. Also referred to as the acid test. This test indicates a party's liquidity.
Recourse	A type of borrowing in which the borrower (a lessor funding a lease) is fully at risk to the lender for repayment of the obligation. The recourse borrower (lessor) is required to make payments to the lender whether or not the lessee fulfills its obligations under the lease agreement.
Relative Value (RV)	A method of determining an asset's value that takes into account the value of similar assets.
Remarketing	The process of selling or leasing the leased equipment to another party upon termination of the original lease term or default by the lessee.
Remarketing Agreement	An agreement where the vendor manages or assists in the remarketing of assets upon a lessee's default.
Renewal Option	An option in the lease agreement that allows the lessee to extend the lease term for an additional period beyond the expiration of the initial lease term in exchange for lease renewal payments.

Rental	A periodic lease payment. A lease whose non-cancelable term is less than a year (by the hour, day, month).
Rental Agreement	A short service lease, usually less than 12 months in duration.
Replevin Action	A lawsuit seeking an order from a judge requiring the lessee to surrender the equipment at a certain date, time, and place, or face additional legal action.
Repurchase Agreements	An agreement where the vendor agrees to purchase contracts under specific circumstances.
Reserves	An account established to cover losses on uncollected receivables.
Residual	The value of the leased property at the end of the lease term as estimated at the time the lease is executed.



Residual Guarantee	An agreement that the vendor guaranties all or a portion of the residual position priced into the lease structure.
Residual Value	The expected value of leased equipment at the end, or termination, of the lease.
Residual Value Insurance (RVI)	A type of insurance that helps companies manage asset value risk by guaranteeing an adequately maintained asset will have a specified value at a future date.
Return on Assets (ROA)	A common measure of profitability based upon the amount of assets invested; equal to the ratio of net income to total assets.
Return on Equity (ROE)	A measure of profitability related to the amount of invested equity; equal to the ratio of net income available to common stockholders to common equity.
Revenue Procedure	An official statement published by the IRS that either affects the rights or duties of taxpayers or other members of the public under the Internal Revenue Code and related statutes, treaties, and regulations.

Revenue Ruling	A public administrative ruling by the IRS that applies the law to a particular factual situation. Such ruling can be relied upon as precedent by all taxpayers.
Revolving Line of Credit	A type of credit that does not have a fixed number of payments.
Right of First Refusal	Document which requires that the lessor has the right to review and accept or refuse to accept all new applications from the vendor.
Risk-Based Pricing	A method adopted by many lenders and lessors where the rate on a transaction is determined not only by the time value of money but also by an estimation of the probability of default.
Robotic Process Automation (RPA)	Configured software that mimics the actions of humans to carry out repetitive tasks automatically; may, but doesn't always include, cognitive functions of AI.
Running Rate AKA Stream Rate	The rate of return to the lessor, or cost to the lessee, in a lease based solely upon the initial equipment cost and the periodic lease payments, without any reliance on residual value, tax benefit, deposits, or fees.

<p>Safe-Harbor Lease</p>	<p>A lease created under the Economic Recovery Tax Act of 1981 (ERTA) to transfer federal tax benefits from a party who could not use them to a party who could. Repealed by The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA).</p>
<p>Sale-Leaseback</p>	<p>A transaction in which the original user sells an asset to a lessor and leases it back. The seller-lessee records either a current gain or loss, or a deferred gain from the sale, and classifies the leaseback in accordance with proper lease accounting.</p>
<p>Sales-Type Lease</p>	<p>From the lessor's perspective, a lease that meets any of the five criteria presented in ASC 842</p>
<p>Section 179</p>	<p>A provision of the Internal Revenue Code that allows the taxpayer to elect to deduct certain types of property as a direct expense against income, rather than depreciating the asset over its tax life, as set forth by the IRS.</p>
<p>Securitization</p>	<p>A device of structured financing where an entity seeks to pool together its interest in identifiable cash flows over time, transfer the same to investors either with or without the support of further collaterals, and thereby achieve the purpose of financing.</p>
<p>Security Deposit</p>	<p>A specific amount paid at the inception of the lease by the lessee to ensure full compliance with the lease and to provide the lessor with some protection against defaults, delays, or other failures of performance by the lessee.</p>

Service Lease AKA Gross Lease	A lease in which the lessor provides service(s) such as maintenance and care of the leased property. The cost of such service(s) may be built into the lease, or it may be paid under a separate maintenance agreement that the lessee was required to purchase.
Severance Agreement	In agricultural leasing, this document is the acknowledgment by an owner (landlord) or mortgagee of real property that the leased equipment belongs to the lessor, and they can remove it.
Sinking Fund Rate	The earnings rate applied to the balance of investment during sinking fund (or disinvestment) phases and is an essential element of yields based on after-tax cash flows.
Split TRAC	A transaction that meets the requirements for true lease treatment for tax purposes but may also be classified as an operating lease for GAAP. The provision is structured so that the lessor assumes some of the estimated residual value risk. This may be achieved by the lessor and the lessee taking pro rata portion of the risk or by limiting the risk to the lessee.
Standard Industrial Classification (SIC)	Four-digit codes used for classifying business by industry, although replaced by the more flexible six-digit NAICS coding system.
Statutory Law	The body of law enacted by legislatures.

<p>Stipulated Termination Values</p>	<p>The value of leased property at given points in time during the lease term as agreed by both lessor and lessee. This is used for purposes of determining liability upon early termination of the lease.</p>
<p>Syndication</p>	<p>Method of selling property whereby the promoter sells interests or shares in the property to investors in the form of a partnership, limited partnership, or tenancy in common, to raise funds to cover the selling price.</p>
<p>Synthetic Lease</p>	<p>A financing agreement designed to be treated as a loan for tax purposes and a lease for accounting purposes.</p>
<p>System of Record</p>	<p>Serves as the “Source of Truth” for a particular set of information.</p>
<p>Tax Accounting</p>	<p>The method of accounting used to report a company’s financial activity for tax reporting purposes, as prescribed by the IRS.</p>
<p>Tax Reform Act Of 1986 (TRA '86)</p>	<p>The tax law that affected a major overhaul of the U.S. tax system by lowering the MACRS (Modified Accelerated Cost Recovery System), repealing the Investment Tax Credit (ITC); and repealing the transitional finance lease rate.</p>

TEFRA	Tax Equity and Fiscal Responsibility Act of 1982
Tenor	The amount of time left for repayment or until the expiration of a financial contract.
Term Loan	A loan with a fixed maturity date and stipulated periodic payments.
Terminal Rental Adjustment Clause (TRAC)	A lessee guaranteed residual value for vehicle leases (automobiles, trucks, or trailers), the inclusion of which will not, in and of itself, disqualify the tax lease status of a tax-oriented vehicle lease.
TRAC Lease (TRAC)	A lease on a qualified automobile, truck, or trailer, which may be considered a true lease for federal income tax purposes even though it contains a Terminal Rental Adjustment Clause (TRAC), which effectively guarantees the lessor the residual value.
True Lease AKA Tax Lease	A lease, which for tax purposes, fails to meet all tests for a conditional sales contract under IRS Revenue Ruling 55-540 and therefore entitles the lessor to qualify for the tax benefits of ownership and the lessee to claim the entire amount of the lease rental as a tax deduction.



Trustee	A person, or entity that holds title to, or a security interest in, leased property for the benefit of the parties to a lease.
Ultimate Net Loss (UNL)	Pools of shared risk used to cover loss, before repossession, resale, and legal remedies have been exhausted.
Ultimate Net Loss (UNL) Agreement	An agreement where the vendor guaranties a portion of the potential loss, generally in a pooled structure for all contracts in that pool.
Underwriter	One who agrees to purchase any securities of an issue remaining unsold.
Unearned Income	The difference between the gross investment and the asset cost under a capital lease. will be recognized as income over the term of the lease.
Unguaranteed Residual	The estimated residual value of the leased property exclusive of any portion guaranteed by the lessee or by a third party unrelated to the lessor.

Uniform Commercial Code (UCC)	A code of commercial law enacted by individual states. Certain sections govern lien perfection, the effect of perfection or non-perfection, and the priority of security interests and agricultural liens.
Use Tax	A tax imposed on the use of tangible personal property within a taxing jurisdiction.
Vehicle Title	a legal document, which establishes an individual or business as the legal owner of a vehicle.
Vendor	A purveyor of equipment from whom a lessor purchases equipment at the specific request of a lessee for a lease to that lessee; a supplier.
Vendor Leasing	Lease financing offered to an equipment end-user in conjunction with the sale of equipment. Can be provided by the equipment vendor (two-party lease) or a third-party leasing company with a close working relationship with the equipment vendor.
Vendor Program	A relationship with a manufacturer and seller of equipment.

Venue	The physical location, or specifically the court, which will hear a legal dispute between parties.
Vicarious Liability	Liability imposed upon a person even though they are not a party to the particular occurrence.
VIN	Vehicle Identification Number
Waiver	The voluntary relinquishment of a known right.
Warehouse Line	A short-term revolving credit facility extended by a financial institution for the funding of leases before permanent funding is finalized. It allows the leasing company to age and amass its portfolio without compromising lending capacity.
Wet Lease	A gross lease, traditionally for aircraft or marine vessels, in which the lessor provides bundled services such as the payment of property taxes, insurance, maintenance costs, as well as all personnel, fuel, and provisions to operate the craft.

Working Capital	loans are short-term, unsecured loans for business owners in need of access to funds to run or grow their businesses.
Write-Down	A deliberate reduction in the book value of an asset.
Yield	The rate of return to the lessor in a lease investment
ADR	"Asset Depreciation Range"
AI	"Artificial Intelligence"
ALLL	"Allowance for Loan and Lease Losses "



AMT	"Alternative Minimum Tax "
APIs	"Application Programmable Interfaces"
ASC	"Accounting Standards Codification"
CECL	"Current Expected Credit Loss"
CIP	"Customer Information Program"
COF	"Cost of Funds "



CRM	"Customer Relationship Management System"
D&A	"Delivery and Acceptance Certificate"
EAD	"Exposure at Default"
EBO	"Early Buyout Option"
ECOA	"Equal Credit Opportunity Act"
EFA	"Equipment Finance Agreement"



EL	"Expected Loss"
FLV	"Forced Liquidation Value"
FSC	"Foreign Sales Corporation"
FTP	"Funds Transfer Pricing"
IDC	"Initial Direct Costs"
IRR	"Internal Rate of Return"



IRS	"Internal Revenue Service"
ITC	"Investment Tax Credit"
KYC	"Know Your Customer"
LGD	"Loss Given Default"
MCA	"Merchant Cash Advance"
MCO	"Manufacturer Certificate of Origin"



MSO	"Manufacturer Statement of Origin"
OEM	"Original Equipment Manufacturer"
OFAC	"Office of Foreign Assets Control"
OLV	"Orderly Liquidation Value"
PD	"Probability of Default"
PMSI	"Purchase Money Security Interest"



POA	Acronym for "Power of Attorney"
PUT	"Purchase Upon Termination"
ROA	"Return on Assets"
ROE	"Return on Equity"
RPA	"Robotic Process Automation"
RV	"Relative Value"



RVI	"Residual Value Insurance"
SIC	"Standard Industrial Classification"
TRA '86	"Tax Reform Act Of 1986"
TRAC	"Terminal Rental Adjustment Clause"
UCC	"Uniform Commercial Code"
UNL	"Ultimate Net Loss"

