Truck and Trailer Sales and Leasing Corp.

Equipment Finance Loan and Lease Terms

	Loan	**Capital or Conditional Sales Lease**
Payment Terms:	Borrower repays advance of funds with interest over a specific period of time.	Leases involve the payment of rent and are contracted by how many payments are due as opposed to a period of time.
Terms of Ownership of Equipment:	Borrower holds legal title to the equipment. Lender has no expectation of return of the equipment and has no residual value at risk at the end of the term of the conditional sale transaction. A loan does not alter borrower's full ownership of the equipment at the end of the loan term in the absence of any default.	Lessee may have a right to purchase the equipment at the end of the lease or during the lease contract, but the lessor generally holds legal title to the equipment. A lease with a Fair Market Value purchase option allows the lessee to return the equipment without further obligation when the lease ends or purchase the equipment at its fair market value or other agreed upon price.
Down Payment Requirements:	An equipment loan usually requires a down payment and finances the remaining cost of the equipment.	None. Leasing finances 100% of the value of the equipment expected to be used during the lease term. A lease requires only a lease payment at the beginning of the first payment period which is usually much lower than a down payment.
Payment Scheduling:	Loan payments are made in arrears of each loan period.	Lease payments may be made in advance or in arrears of each leasing period. Leasing may also offer special repayment options, such as Seasonal, Step, Skip, Annual, Semi-Annual, and Quarterly Payments.
Collateral Requirements:	Depending on the credit worthiness of the customer, a business loan may require the customer to pledge current or fixed assets for collateral. A non-recourse loan, however, limits the customer's liability to the equipment and related cash flows, insurance and certain indemnity payments. Equipment can be seized in event of default.	Leased equipment usually serves as the collateral needed to secure the transaction, and no additional collateral is required.
Depreciation Allowance:	Borrowers/owners may claim a tax deduction for a portion of the loan payment as interest and for depreciation which is tied to IRS Depreciation Schedules. Borrower's will usually receive an interest statement for tax purposes in the new year.	Equipment financed under a conditional sale lease ($1.00 buyout, or PUT) is treated the same as owned equipment.

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Obsolescence Risk:	The borrower/owner bears the risk of equipment obsolescence and devaluation, due to development of new technology.	The lessee transfers risk of equipment obsolescence to the leasing company, since no obligation exists to own the equipment at lease end (unless obligation to purchase is specified in the lease contract). Some leases contain provisions for upgrading equipment during the lease term for additional rent.
Assets Eligible to Borrow Against/Finance:	Loans can be used to pay for a broad array of capital needs including sales finance, inventory finance and business expansion.	Leases tend to finance items of equipment, software and services. A "Master Lease" acts as an umbrella for the financing of multiple deliveries of equipment represented and documented by schedules to the Master Lease.
Inflation Impact:	A larger portion of the financial obligation is paid in today's more expensive dollars.	More of the cash flow, especially the option to purchase the equipment, occurs later in the lease term when inflation makes dollars cheaper.
Penalties for Prepayment or Early Payoff:	A loan will have a disclosed prepayment or early payoff penalty.	Leases generally do not have prepayment or early payoff penalties. Some Lease companies use the remaining balance owed (remaining payments total) as the payoff, while others will discount the balance owed after a certain paid time period.
Paying Extra:	When making an extra payment on a loan, the customer will need to specify if that payment is to go towards "principal". If an extra payment is paid towards principal, it simply reduces the balance owed, which then reduces the amount of interest calculated, and will in essence reduce the term on the back end (paying off the loan quicker). Payments will remain the same until amortized down to $0.00 due.	When making extra payments on a lease, the payment is credited towards the next due. Making extra payments allows you to pay ahead. Payment stays the same, however, when paying ahead customer may receive a billing statement with a $0.00 balance due for the billing month.
Paying off a single asset on a multiple asset note:	If there are multiple assets on a note and one of those assets needs to be paid off, the note is reduced on the back end. Loan payments remain the same, but the loan will be paid off quicker.	Leasing allows for reduction in payment when a single asset is being removed from the lease. The lease will automatically recalculate payments based on the reduced balance and the remaining term.