

Asset Finance in a Global Context

Acceptance Credit: Acceptance Credit is a financing arrangement where the lender agrees to purchase assets from a supplier on behalf of the borrower, with the understanding that the borrower will subsequently purchase the assets from the lender. This type of financing is often used when the borrower wants to acquire assets from a supplier but does not have the necessary funds available at the time of purchase.

Asset: An Asset is any resource owned by a company or individual that has value and can be used to generate income or provide a benefit in the future. In the context of asset finance, assets typically refer to tangible items such as machinery, equipment, vehicles, and real estate.

Asset-Based Lending (ABL): Asset-Based Lending (ABL) is a type of financing that is secured by a company's assets, such as inventory, accounts receivable, or equipment. ABL is often used by companies that are unable to obtain traditional bank loans due to a lack of creditworthiness or a lack of cash flow.

Balloon Payment: A Balloon Payment is a large, lump-sum payment that is due at the end of a financing agreement. This type of payment is often used in leasing and loan arrangements, and can help to reduce monthly payments by delaying a significant portion of the payment until the end of the agreement.

Chattel Paper: Chattel Paper is a legal document that is used to evidence ownership of personal property, such as machinery, equipment, or vehicles. Chattel paper is often used in asset finance transactions as a way to transfer ownership of the assets from the seller to the buyer.

Default: Default is the failure to make payments on a loan or lease agreement as agreed upon in the contract. Default can result in legal action, such as repossession or foreclosure, and can have a negative impact on a borrower's credit score.

Equipment Financing: Equipment Financing is a type of asset finance that is used to purchase or lease equipment, such as machinery, vehicles, or IT infrastructure. Equipment financing can take the form of loans, leases, or hire purchase agreements.

Factoring: Factoring is a type of asset finance where a company sells its accounts receivable to a third party, known as a factor, at a discount. The factor then assumes the risk of collecting the debt and provides the company with immediate cash, which can be used to finance operations or pay down debt.

Hire Purchase: Hire Purchase is a type of asset finance agreement where a borrower pays regular installments to a lender over a set period of time, with the understanding that they will become the owner of the asset at the end of the agreement. Hire purchase agreements are often used to finance the purchase of vehicles or machinery.

Lessee: A Lessee is a person or company that leases an asset from a lessor. The lessee is responsible for

making regular payments to the lessor in exchange for the use of the asset.

Lessor: A Lessor is a person or company that owns an asset and leases it to a lessee. The lessor is responsible for maintaining the asset and ensuring that it is in good working order.

Lease: A Lease is a contractual agreement between a lessor and a lessee for the use of an asset over a set period of time. Leases can take many forms, including operating leases, finance leases, and sales and leaseback agreements.

Lease Purchase: A Lease Purchase is a type of lease agreement where the lessee has the option to purchase the asset at the end of the lease term. Lease purchase agreements are often used to finance the acquisition of vehicles or machinery.

Loan: A Loan is a type of financing where a borrower receives a lump sum of money from a lender and agrees to repay the amount, plus interest, over a set period of time. Loans can be secured or unsecured, and can be used to finance a wide variety of assets, including real estate, vehicles, and equipment.

Operating Lease: An Operating Lease is a type of lease agreement where the lessee is only responsible for paying for the use of the asset, and not for its ownership. Operating leases are often used to finance the acquisition of assets that have a short useful life, such as vehicles or IT equipment.

Residual Value: The Residual Value is the estimated value of an asset at the end of a lease or financing agreement. Residual values are often used to determine the monthly payments for a lease or loan, and can have a significant impact on the overall cost of the financing arrangement.

Securitization: Securitization is the process of pooling together a group of assets, such as loans or leases, and selling them as securities to investors. Securitization can help to reduce the risk of asset finance transactions by spreading the risk among a large group of investors.

Synthetic Lease: A Synthetic Lease is a type of lease agreement where the lessee is able to deduct the full cost of the lease payments as an operating expense, while the lessor is able to take advantage of the tax benefits of ownership. Synthetic leases are often used to finance the acquisition of real estate.

Title: Title is a legal document that evidences ownership of an asset. In the context of asset finance, title is often transferred from the seller to the buyer through the use of chattel paper or other legal documents.

Vendor Financing: Vendor Financing is a type of asset finance where the seller of an asset provides financing to the buyer. Vendor financing can take the form of loans, leases, or other financing arrangements, and is often used to facilitate the sale of high-value assets such as machinery or real estate.