
Advanced Certificate in Asset Finance and Leasing

Asset Finance Structuring and Documentation

****Absolute Assignment****: A transfer of ownership of an asset or lease from one party to another, where the assignee takes on all rights and obligations of the original party.

****Acid-Test Ratio****: A measure of a company's short-term liquidity, calculated as current assets minus inventory, divided by current liabilities.

****Acquisition Financing****: Financing provided to a company to acquire another company or its assets, often through asset-based lending or leasing.

****Act of God****: An unforeseeable event that occurs without human intervention, such as a natural disaster, which can impact a lease or loan agreement.

****Administrative Agent****: A bank or financial institution appointed to manage a syndicated loan or other credit facility on behalf of the lenders.

****Advance Rate****: The percentage of an asset's value that a lender is willing to advance to a borrower, often used in asset-based lending.

****After-Acquired Property****: Property acquired by a borrower after a loan or lease agreement has been signed, which can be used as collateral for the agreement.

****Agent****: A person or entity authorized to act on behalf of another party, such as a lessor or lender.

****Amortization****: The gradual reduction of a loan or debt through regular payments, which include both principal and interest.

****Asset****: A resource with economic value that can be owned or controlled by an individual or entity, such as property, equipment, or inventory.

****Asset-Based Lending (ABL)****: A type of lending that uses a borrower's assets as collateral for a loan, often used for working capital or acquisition financing.

****Assignment****: The transfer of rights or obligations from one party to another, such as the transfer of a lease or loan agreement.

****Balloon Payment****: A large, final payment due at the end of a loan or lease term, often used in equipment financing.

****Bankruptcy****: The legal process by which a debtor seeks relief from overwhelming debt, which can impact a lease or loan agreement.

****Bullet Payment****: A single, lump-sum payment due at the end of a loan or lease term, often used in real

estate financing.

****Capitalization Rate****: The rate used to calculate the present value of future cash flows, often used in real estate financing.

****Cash Flow****: The net amount of cash and cash equivalents moving in and out of a business, often used to determine a borrower's ability to repay a loan.

****CERCLA****: The Comprehensive Environmental Response, Compensation, and Liability Act, which can impact the financing of contaminated property.

****Chattel Paper****: A document that evidences a monetary obligation and a security interest in specific goods, often used in equipment financing.

****Collateral****: An asset pledged as security for a loan or lease agreement, which can be seized if the borrower defaults.

****Commercial Finance****: The provision of financing to businesses, often through asset-based lending or leasing.

****Confirming Bank****: A bank that confirms a letter of credit, guaranteeing payment to the beneficiary.

****Consignment****: The sale of goods by a consignor to a consignee, where the consignor retains ownership of the goods until they are sold.

****Contingent Liability****: A potential liability that may arise depending on the outcome of future events, such as a lawsuit or warranty claim.

****Convertible Lease****: A lease that can be converted to a purchase agreement at the end of the lease term.

****Cost of Capital****: The cost of raising capital, often used to determine the profitability of a project or investment.

****Covenant****: A promise made by a borrower or lessee to a lender or lessor, such as maintaining certain financial ratios or not incurring additional debt.

****Credit Analysis****: The process of evaluating a borrower's creditworthiness, often through financial statement analysis and credit reports.

****Credit Facility****: A financing arrangement between a borrower and a lender, which can include multiple loans or credit lines.

****Credit Risk****: The risk that a borrower will default on a loan or lease agreement, resulting in a loss for the lender or lessor.

****Cross-Collateralization****: The use of multiple assets as collateral for a single loan or lease agreement.

****Debtor in Possession (DIP) Financing****: Financing provided to a bankrupt company, often through asset-

based lending or leasing.

****Default****: The failure of a borrower or lessee to meet their obligations under a loan or lease agreement, such as failing to make payments or maintain collateral.

****Depreciation****: The decrease in value of an asset over time, often used in accounting and tax calculations.

****Discount Rate****: The rate used to calculate the present value of future cash flows, often used in equipment financing.

****Documentation****: The legal agreements and paperwork required for a loan or lease agreement, such as promissory notes, security agreements, and UCC filings.

****Equipment Financing****: Financing provided to acquire equipment, often through leasing or asset-based lending.

****Equipment Leasing****: The rental of equipment to a lessee, often with an option to purchase at the end of the lease term.

****Fair Market Value (FMV)****: The price that a willing buyer would pay and a willing seller would accept for an asset, often used in lease agreements.

****Factoring****: The sale of accounts receivable to a third party, often used for working capital financing.

****Finance Lease****: A lease that transfers substantially all the benefits and risks of ownership to the lessee, often used for equipment financing.

****Financial Covenant****: A financial ratio or metric that a borrower must maintain to comply with a loan or lease agreement.

****Fixed Asset****: A long-term asset, such as property or equipment, that is used in the production of goods or services.

****Foreclosure****: The legal process by which a lender seizes and sells a borrower's collateral to satisfy a debt.

****Guarantor****: A person or entity that agrees to pay or perform a borrower's obligations under a loan or lease agreement if the borrower defaults.

****Hire Purchase****: A financing arrangement where a borrower pays for an asset in installments, with ownership transferred to the borrower at the end of the term.

****Indemnification****: A contractual agreement where one party agrees to compensate the other party for any losses or damages incurred.

****Intercreditor Agreement****: An agreement between multiple lenders or creditors that outlines their respective rights and obligations in the event of a default or bankruptcy.

****Lease****: A contractual agreement where a lessor provides the use of an asset to a lessee for a specified

period of time, often with periodic payments.

****Lease Agreement****: The legal document that outlines the terms and conditions of a lease, such as the duration, payments, and maintenance requirements.

****Lease Rate****: The periodic payment required under a lease agreement, often expressed as a percentage of the asset's value.

****Lease Rate Factor****: A multiplier used to calculate the present value of future lease payments, often expressed as a decimal.

****Lessee****: The party that receives the use of an asset under a lease agreement, often responsible for making payments and maintaining the asset.

****Lessor****: The party that provides the use of an asset under a lease agreement, often responsible for owning and maintaining the asset.

****Letter of Credit****: A financial instrument issued by a bank that guarantees payment to a beneficiary, often used in international trade.

****Liability****: A legal obligation or debt that a party is required to pay or perform, often reported on a balance sheet.

****Lien****: A legal claim or encumbrance on an asset, often used as collateral for a loan or lease agreement.

****Loan****: A financing arrangement where a lender provides funds to a borrower, often with periodic payments and interest.

****Loan Agreement****: The legal document that outlines the terms and conditions of a loan, such as the duration, payments, and covenants.

****Loan Covenant****: A promise made by a borrower to a lender, such as maintaining certain financial ratios or not incurring additional debt.

****Loan Servicing****: The administration of a loan, including collecting payments, maintaining records, and enforcing the loan agreement.

****Maintenance Reserve****: A reserve account established to fund future maintenance or repairs on an asset, often required in lease agreements.

****Mandatory Prepayment****: A requirement that a borrower prepay a portion of a loan or lease agreement, often triggered by certain events or milestones.

****Master Lease****: A