LEASING VS. BANK

Leasing equipment has many advantages over traditional bank financing. The following chart gives a good comparison between leasing and banking financing:

	Leasing	**Bank Financing**
Down Payment	Usually two payments, or about Five percent.	Typically 10-30%
Interest Rate	Fixed Rate. If market interest rates go up, your lease payments stay the same	Usually floating rate, customer takes all risk If you market interest rates go up, so does your payment.
Tax Benefits	Usually 100% deductible; makes effective rate lower	Depreciation must be over five years. Principle Not deductible
Effective Cost	Often lower than prime rate due to tax advantages, no down payment and no required compensating balance	Higher than published interest rate due to hidden cost
Opportunity Cost	Leaves bank lines and cash free for Investments that provide higher yield	Ties up bank lines possibly preventing More opportunities in The future
Term	Up to five years on any equipment over 5,000	Usually 1-3 years
Soft Costs	Will include software and installation cost in the lease	Usually will not finance software
Impact to Financial Statement	Footnote to balance sheet. No Impact to ratio	Long-term liability. Reduces current ratios Increases debt ration