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EFAs vs Purchase Option Leases

The differences between an EFA (Equipment Finance Agreement) and a $1 Lease

EFA: Loan Product

EFA Quick Facts:

- **Ownership:** Customer owns the equipment day-one. Lender has security interest in the equipment until the contract is paid off.
- **IRS Tax Benefit:** Qualifies for Section 179 benefits (depreciation).
- **Down Payment Option:** Allows customers the option to put a larger amount of money down, reducing the amount financed.
- **Taxes:** Lender is not the custodian (collector of all taxes) for property, sales and other applicable taxes.

$1 Lease: Capital Lease

$1 Lease Quick Facts:

- **Ownership:** Ownership only transfers to customer (lessee) at the end of the original term (ex: 60 months). Must exercise the stated purchase option.
- **IRS Tax Benefits:** Qualifies for Section 179 benefits (depreciation only), the lease payment is not a tax write-off.
- **Taxes:** Lessor is the custodian (collector of all taxes) for property, sales and all other applicable taxes billed to lessee in contract or invoiced.
- **Fees:** Often includes additional junk fees: interim rent, end-of-term UCC-1 release fees and evergreen clause. Pay close attention to the fine print!

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