# Calculating Novated Finance Lease Payments

Below is an example of how you can explain to a customer.

The way we calculate your lease repayment (loan amortisation method) is no different in principle to the way a mortgage or consumer loan repayment is typically calculated.

You may need a financial calculator to help with some steps as it is too complicated to do the calculation by hand.

Below are the inputs for your financial calculator:

* Calculation 1: determine the post-deferred Amount Financed
  + Present Value (PV) = ‘Amount financed’ from your novated lease quote
  + Interest Rate (I/R) = the comparison interest rate provided by us
  + Term (N) = ‘2’ as your lease payments are deferred for two months
  + PMT = ‘0’ as no repayments are made during this deferred period
  + Future Value (FV) – solve for the FV to determine the PV for Calculation 2
* Calculation 2: validate the quoted repayment by solving for it
  + Present Value (PV) = the FV from Calculation 1
  + Interest Rate (I/R) = the comparison interest rate provided by us
  + Term (N) = total lease term minus ‘2’ as this is the remaining term following the deferred period
  + Future Value (FV) = the Residual Value on your quote excluding GST
  + PMT = solve for PMT to determine the repayment due – this repayment will match the lease rental excluding GST shown on your lease schedule
* Calculation 3: to determine the lease provision per pay-cycle
  + Take the PMT determined in Calculation 2
  + Multiply it by the term of your lease in months minus 2 (ie. for a 60 month lease, multiply the payment by 58)
  + Divide this amount by your lease term in years (ie. for a 60 month lease, divide by 5)
  + Divide this amount by your pay-cycle (12 months, 26 fortnights or 52 weeks etc.)

Please note that the result of this calculation is approximate and may be subject to a rounding error.