

LEASING A VEHICLE



prepared by
**PETERSON AFB
LEGAL OFFICE**
(719) 556-4871



Leasing Is Not Buying

Leasing a car is not the same as buying one. When you buy, you own the car. When you lease, you pay to drive someone else's vehicle. Although leasing can involve lower monthly payments than a loan, at the end of the lease, you will have no ownership or equity in the car.

WHEN YOU SIGN A LEASE, MAKE SURE YOU UNDERSTAND YOUR OBLIGATIONS IF YOU DECIDE TO TERMINATE THE LEASE EARLY OR LEAVE THE PETERSON AFB AREA. THE LEASE SHOULD EXPLAIN WHEN YOU CAN TERMINATE AND AT WHAT COST.

Leasing Tips

Before leasing a vehicle, consider these tips:

1. Shop as if you're buying a car. Negotiate all the lease terms, including the price of the vehicle. Lowering the lease price will help reduce your monthly payments. Get all the terms in writing.

2. Learn the language of leasing:

•*Closed-end lease*: You return the car at the end of the lease and "walk away," but you're still usually responsible for certain end-of-lease charges, such as excess mileage, wear and tear, and disposition. Because the dealer is taking the risk as to the value of the vehicle at the end of the lease, your payments under this kind of lease will be higher.

•*Open-end lease*: Your monthly payments are lower, but there is a risk that the vehicle's value at the end of the lease will be less than that stated in the lease. This specified value amount is known as the "estimate residual value." When the vehicle is returned, the customer pays the difference between the value stated in the contract and the lessor's appraised value of the vehicle.

•*Lease inception fees*: Payments that must be made when the lease starts, and may include a down payment, security deposit, acquisition fee, first month's payment, taxes and title fees. Ask for a list of all charges due at lease inception. You may be able to negotiate some or all of the terms.

•*Capitalized cost*: The price of the car for leasing purposes plus taxes and extra charges like service contracts and registration fees.

•*Capitalized cost reduction*: Similar to a down payment, the trade-in credit may reduce a down payment or monthly payments.

3. Ask whether extra charges will be assessed for excessive mileage, wear and tear, disposition and early termination, and find out the amount of these charges. Most leases allow you to drive 12,000 to 15,000 a year; if you put on more miles, expect a charge of 10 to 25 cents for each additional mile. You may think the ding in the door is normal wear and tear; to the lessor it may be significant damage. Check out penalties for an early return; expect to pay a substantial charge if you give the car up before the end of your lease.

4. Make sure the manufacturer's warranty covers the entire lease term and the number of miles you're likely to drive.

5. Consider "gap insurance" to cover the difference -- sometimes thousands of dollars -- between what you owe on the lease and what the car is worth if it's stolen or totaled in an accident.

6. Before you sign the deal, take a copy of the contract home and review it carefully away from any dealer pressure. Be alert for any charges that were not disclosed at the dealership, like conveyance, disposition, and preparation fees.

7. Federal law requires lessors to provide lease cost information before you sign the lease. If the dealer declines, consider shopping elsewhere.

8. You may have additional rights under the new Service Member's Civil Relief Act (SCRA). For example, if you get orders while in a lease agreement (usually from CONUS to OCONUS or vice versa), the car company may be required to allow you to end the lease without all of the high fees. See the hand out on SCRA for more information.

Check out the resources below for additional information regarding vehicle leases.

Sources:

<http://www.automotive.com/auto-loans/36/loan-tips/car-leasing-faqs.html>

http://www.consumeraction.gov/caw_automobiles_leasing.shtml

<http://www.federalreserve.gov/pubs/leasing/>

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