

# Consumer Guide to Auto Leasing



Courtesy of  
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## If you're thinking about leasing a car

Attracted by low monthly payments, consumers see leasing as an affordable way to drive the car of their dreams.

But that doesn't mean you should rush out and lease a new car. It's just the opposite. Make your decision an informed and educated one.

Leasing is far more complicated than buying a new car. And as the popularity of auto leasing increases, so do the number of problems consumers are having with lease programs.

That's why the state Assembly revised and enhanced a measure protecting consumers against many common complaints associated with leasing. The Motor Vehicle Retail Leasing Act gives consumers more freedom to shop around for the best deal when leasing a car. The law sets limits on early termination charges and gives the state attorney general's office the authority to mediate "excess wear and tear" charges through a special arbitration program.

## Should I lease or buy?

This is a question only you can answer. There are several factors to consider. Can you afford to put money down? If so, how much? Do you drive a lot of miles each year? Some leasing programs have limits on annual mileage. Are you hard on your car? If you expect a lot of wear and tear, leasing may not be right for you.

It's important to understand that a lease only gives you the right to use a car for a defined period of time, typically 24 or 36 months. After that, you have to return the car. That leaves you without ownership or assets. On the other hand, if you buy a car, at the end of the loan it's yours free and clear.

Most leases, however, allow you to buy the car you've been driving, either in a lump sum payment at the end of the lease or by refinancing the balance over a certain term. This may or may not be a worthwhile financial option.

## Auto leasing at a glance

### Capitalized cost

The agreed-upon value of the vehicle, which may be negotiated, plus any items you agree to pay for over the lease term (amortized amount). These include taxes, fees, service contracts, insurance and any prior credit or lease balance.

### Gap insurance

This covers you for the difference between the amount an insurance company will pay if your car is stolen or wrecked and what you still owe on your lease.

### Excess wear and tear

The damage to a car beyond what is considered normal use. Car lessors may try to charge consumers hundreds of dollars for excess wear and tear. However, they can only charge either the actual cost of repair or the cost of the repairs based on an itemized estimate.

### Termination charges

Most car lessors will charge a hefty penalty if you break your lease; some even try to charge a termination (also called disposition or disposal) fee at the end of your lease. It pays to ask upfront.



**Remember, you have the right to compare leases, negotiate the cost of the lease and know exactly what excess wear and tear you will be liable for at the end of a lease.**

## Beware of low monthly payments

You've probably seen car commercials advertising low monthly payments for auto leases, and that's the number lessors will try to push on you. But it's misleading. You should use the actual value of the car or the total amount of money financed to lease it — also known as capitalized cost — to negotiate, not the monthly payment.

The capitalized cost is equivalent to the invoice or sticker price of a new car. So by comparing the capitalized cost first, you can get a clear picture of how the interest and other charges vary with different lease programs.

There are other important numbers to consider as well: the total amount of mileage you are allowed during the lease, how excess wear and tear is assessed, the early termination charge and other penalties or charges.

## Compare leases

Lessors have ways to add to the cost of a lease. For a starting point, always use the capitalized cost of the car. You also must consider what options the car has — this can significantly

increase its value. Some other factors you should consider, besides the monthly payment, include the acquisition fee, down payment, optional insurance and warranties, the amount to be financed, early termination fees and any excess charges.

Another important factor is the residual value of the car at the end of the lease. This is the amount of money you would have to pay to buy your leased car outright. Some lessors inflate the value of the car at the end of the lease. Therefore, check the value of the car from an outside, unbiased source.

A lessor must disclose all the terms of a lease contract and provide a sample lease contract before you decide to lease.

## Consumer protections

Lessors must disclose the full selling price or capitalized cost of the car. By requiring lessors to disclose this information, the law gives you the advantage to shop around for the best deal.

Many car lessors will include a hefty early termination charge if the car is returned before the lease expires. The law limits the amount a car lessor can charge.

The law also provides you with the right to terminate the lease at any time after 50% of the term, or earlier, if provided for by the lease.

Another area to watch out for is excess wear and tear. This refers to any damage to a vehicle beyond what can be considered normal use. Some car lessors have been known to charge several hundred dollars for excess wear and tear on a leased car.

The law protects consumers by limiting excess wear and tear charges. The law does this by requiring car lessors to charge either the actual cost of repairs to a car or the cost of the repairs based on an itemized estimate. You have a right to a second inspection at your expense by a licensed appraiser agreed to by the lessor.

In addition, the law requires the lease contract to explain exactly what excess wear and tear the consumer will be liable for.

## Negotiate your lease

You actually have more ability to negotiate the price in a lease agreement than a car purchase. This is because you can negotiate virtually all aspects of a lease, including the capitalized cost, down payment and termination charges.

Remember, while car lessors focus on your monthly payment, your priority should be the actual cost of the car at the time of the lease and its worth at the end of the lease.

## Questions or Complaints?

### Federal Trade Commission Consumer Response Center

[www.consumer.ftc.gov](http://www.consumer.ftc.gov)  
877-FTC-HELP (382-4357)

### New York State Attorney General

[www.ag.ny.gov](http://www.ag.ny.gov)  
800-771-7755

