Vehicle Leasing Tips from the FTC

If you're shopping for a vehicle, consider whether you want to buy it or lease it. Buying it means paying for it with cash and/or a loan. After you finish making the payments, you own the vehicle and can sell or trade it. With leasing, you sign a contract and make monthly payments to have use of the car for a specific length of time. After making all your lease payments, you return the vehicle to the dealer. You own nothing and may even owe the dealer more money for any excess mileage or damage. However, monthly lease payments are often lower than loan payments.

Many dealers and other lessors offer vehicle leases. Before you decide whether to lease or buy, shop around, ask questions, be sure you understand all the facts, and consider these tips from the Federal Trade Commission (FTC):

1. Shop as if you're buying a vehicle. 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:
   - In a *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.
   - In an *open-end lease*, you pay the difference between the value stated in your contract and the lessor's appraised value at the end of the lease.
   - *Lease inception fees* are payments you must make 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.
   - The *capitalized cost* is the price of the car for leasing purposes plus taxes and extra charges like service contracts and registration fees.
   - The *capitalized cost reduction* is similar to a down payment. If you're trading in a car, make sure the dealer applies the trade-in value to the price your lease is based on. The trade-in credit may reduce your 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 or coffee stains on the upholstery are 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.

Vehicle leasing tips from the FTC (continued)

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. Some dealers may be willing to provide the information during your shopping process. If the dealer declines, consider shopping elsewhere.

For more information about buying or leasing a car, visit the FTC's Web site at **www.ftc.gov/autos**.