



## **You can compare different lease offers and negotiate some terms. Consider . . .**

- the agreed-upon value of the vehicle—a lower value can reduce your monthly payment
- up-front payments, including the capitalized cost reduction
- the length of the lease
- the monthly lease payment
- any end-of-lease fees and charges
- the mileage allowed and per-mile charges for excess miles
- the option to purchase either at lease end or earlier
- whether your lease includes “gap” coverage, which protects you if the vehicle is stolen or totaled in an accident.

Ask for alternatives to advertised specials and other lease offerings.



## **Know your rights and responsibilities**

When you lease a vehicle, you have the right to

- use it for an agreed-upon number of months and miles
- turn it in at lease end, pay any end-of-lease fees and charges, and “walk away”
- buy the vehicle if you have a purchase option
- take advantage of any warranties, recalls, or other services that apply to the vehicle.

You may be responsible for

- excess mileage charges when you return the vehicle. Your lease agreement will tell you how many miles you can drive before you must pay for extra miles and how much the per-mile charge will be.
- excess wear charges when you return the vehicle. The standards for excess wear, such as for body damage or worn tires, are in your lease agreement.
- substantial payments if you end the lease early. The earlier you end the lease, the greater these charges are likely to be.

## **For more information . . .**

Contact your dealer, manufacturer, leasing company, or financial institution for more information.

The federal Consumer Leasing Act and some state laws may provide you with additional consumer rights not covered in your lease agreement. For information on these laws, contact your state’s consumer protection agency or Attorney General’s office.

# **Keys to Vehicle Leasing**

## **A Consumer Guide**



# Keys to Vehicle Leasing



This brochure gives an overview of the most common type of vehicle lease—a closed-end lease. With this type of lease, you may return the vehicle at lease end, pay any end-of-lease costs, and “walk away.” This brochure also provides you with a comparison of leasing and buying.

The federal Consumer Leasing Act gives you the right to information that helps you understand and negotiate your lease. A number of leasing options are available. Look for the lease that best fits your needs, your budget, and your driving patterns.

Inside is a sample form like the one your dealer or leasing company must give you before you sign a lease.

## Consider beginning, middle, and end-of-lease costs

**At the beginning of the lease,** you may have to pay your first monthly payment; a refundable security deposit or your last monthly payment; other fees for licenses, registration, and title; a capitalized cost reduction (like a down payment); an acquisition fee (also called a processing or assignment fee); freight or destination charges; and state or local taxes.

**During the lease,** you will have to pay your monthly payment; any additional taxes not included in the payment such as sales, use, and personal property taxes; insurance premiums; ongoing maintenance costs; and any fees for late payment. You’ll also have to pay for safety and emissions inspections and any traffic tickets. If you end your lease early, you may have to pay substantial early termination charges.

**At the end of the lease,** if you don’t buy the vehicle, you may have to pay a disposition fee and charges for excess miles and excess wear.



## Leasing is different from buying. Here’s how . . .

	Leasing	Buying
<b>Ownership</b>	You do not own the vehicle. You get to use it but must return it at the end of the lease unless you choose to buy it.	You own the vehicle and get to keep it at the end of the financing term.
<b>Up-front costs</b>	Up-front costs may include the first month’s payment, a refundable security deposit, a capitalized cost reduction (like a down payment), taxes, registration and other fees, and other charges.	Up-front costs include the cash price or a down payment, taxes, registration and other fees, and other charges.
<b>Monthly payments</b>	Monthly lease payments are usually lower than monthly loan payments because you are paying only for the vehicle’s depreciation during the lease term, plus rent charges (like interest), taxes, and fees.	Monthly loan payments are usually higher than monthly lease payments because you are paying for the entire purchase price of the vehicle, plus interest and other finance charges, taxes, and fees.
<b>Early termination</b>	You are responsible for any early termination charges if you end the lease early.	You are responsible for any pay-off amount if you end the loan early.
<b>Vehicle return</b>	You may return the vehicle at lease end, pay any end-of-lease costs, and “walk away.”	You may have to sell or trade the vehicle when you decide you want a different vehicle.
<b>Future value</b>	The lessor has the risk of the future market value of the vehicle.	You have the risk of the vehicle’s market value when you trade or sell it.
<b>Mileage</b>	Most leases limit the number of miles you may drive (often 12,000–15,000 per year). You can negotiate a higher mileage limit and pay a higher monthly payment. You will likely have to pay charges for exceeding those limits if you return the vehicle.	You may drive as many miles as you want, but higher mileage will lower the vehicle’s trade-in or resale value.
<b>Excess wear</b>	Most leases limit wear to the vehicle during the lease term. You will likely have to pay extra charges for exceeding those limits if you return the vehicle.	There are no limits or charges for excessive wear to the vehicle, but excessive wear will lower the vehicle’s trade-in or resale value.
<b>End of term</b>	At the end of the lease (typically 2–4 years), you may have a new payment either to finance the purchase of the existing vehicle or to lease another vehicle.	At the end of the loan term (typically 4–6 years), you have no further loan payments.

FRB1-1000000-997C

Leasing form inside ➡

# Sample Consumer Leasing Form

Vehicle lessors are required by federal law to provide you with leasing information on a form like this. This sample is for a closed-end lease—the most common type of lease. An open-end lease has slightly different requirements.

Lessors also are required to tell you about:

- fees, taxes, and insurance requirements
- standards for wear and use, maintenance responsibilities, and warranties
- early termination charges, security interests, and late payment charges
- your option to purchase the vehicle.

This information, along with other important details, may be in other places in your lease agreement, so be sure to read it carefully.

### Federal Consumer Leasing Act Disclosures

Date 00/00/00

Lessor(s) Dealer or Leasing Company Lessee(s) J. Smith

Amount Due at Lease Signing or Delivery (Itemized below)*	Monthly Payments	Other Charges (not part of your monthly payment)	Total of Payments (The amount you will have paid by the end of the lease)
\$ <u>4,241.94</u>	Your first monthly payment of \$ <u>256.94</u> is due on <u>00/00/00</u> , followed by <u>47</u> payments of \$ <u>256.94</u> due on the <u>1st</u> of each month. The total of your monthly payments is \$ <u>12,333.12</u> .	Disposition fee (if you do not purchase the vehicle) \$ <u>400.00</u>  _____ <u>-0-</u> Total \$ <u>400.00</u>	\$ <u>16,368.12</u>

**\* Itemization of Amount Due at Lease Signing or Delivery**

Amount Due at Lease Signing or Delivery:	How the Amount Due at Lease Signing or Delivery will be paid:
Capitalized cost reduction \$ <u>3,500.00</u>	Net trade-in allowance \$ <u>2,500.00</u>
First monthly payment <u>256.94</u>	Rebates and noncash credits <u>-0-</u>
Refundable security deposit <u>350.00</u>	Amount to be paid in cash <u>1,741.94</u>
Title fees <u>75.00</u>	
Registration fees <u>60.00</u>	
_____ <u>-0-</u>	
Total \$ <u>4,241.94</u> <b>6a</b>	Total \$ <u>4,241.94</u> <b>6b</b>

**7 Your monthly payment is determined as shown below:**

<b>8 Gross capitalized cost.</b> The agreed upon value of the vehicle (\$ <u>21,500.00</u> ) and any items you pay over the lease term (such as service contracts, insurance, and any outstanding prior credit or lease balance).....	\$ <u>22,300.00</u>
If you want an itemization of this amount, please check this box. <input type="checkbox"/>	
<b>9 Capitalized cost reduction.</b> The amount of any net trade-in allowance, rebate, noncash credit, or cash you pay that reduces the gross capitalized cost .....	- <u>3,500.00</u>
<b>Adjusted capitalized cost.</b> The amount used in calculating your base monthly payment .....	= <u>18,800.00</u>
<b>Residual value.</b> The value of the vehicle at the end of the lease used in calculating your base monthly payment .....	- <u>12,350.00</u>
<b>Depreciation and any amortized amounts.</b> The amount charged for the vehicle's decline in value through normal use and for other items paid over the lease term .....	= <u>6,450.00</u>
<b>11 Rent charge.</b> The amount charged in addition to the depreciation and any amortized amounts .....	+ <u>5,295.00</u>
<b>Total of base monthly payments.</b> The depreciation and any amortized amounts plus the rent charge .....	= <u>11,745.00</u>
<b>11 Lease payments.</b> The number of payments in your lease .....	÷ <u>48</u>
<b>Base monthly payment</b> .....	= <u>244.69</u>
<b>12 Monthly sales/use tax</b> .....	+ <u>12.25</u>
.....	+ <u>-0-</u>
<b>13 Total monthly payment</b> .....	= \$ <u>256.94</u>

**14 Early Termination.** You may have to pay a substantial charge if you end this lease early. The charge may be up to several thousand dollars. The actual charge will depend on when the lease is terminated. The earlier you end the lease, the greater this charge is likely to be.

**15 Excessive Wear and Use.** You may be charged for excessive wear based on our standards for normal use and for mileage in excess of 15,000 miles per year at the rate of .15 per mile.

**17 Purchase Option at End of Lease Term.** You have an option to purchase the vehicle at the end of the lease term for \$ 12,350.00 and a purchase option fee of \$ 150.00.

**Other Important Terms.** See your lease documents for additional information on early termination, purchase options and maintenance responsibilities, warranties, late and default charges, insurance, and any security interest, if applicable.

2 This is the amount you must pay up-front to take delivery of the vehicle. See 6 for an itemization.

3 Your monthly payment includes depreciation, the rent charge, taxes, and other fees that are capitalized. See 7 for the way your monthly payment is calculated.

8 Like the purchase price when you buy a vehicle, the gross capitalized cost is negotiable. If you want an explanation of what this amount includes, ask for an itemization.

9 Like the down payment when you buy a vehicle, this amount is subtracted from the gross capitalized cost.

10 This amount is like the interest or finance charge on a loan or credit agreement.

11 The lease term may also be disclosed on this line. Generally, the number of payments and the number of months in the lease term are the same. However, there are some leases where the numbers may be different, such as a single payment lease that would disclose "1" as the number of payments and may disclose "24 months" as the lease term.

12 These are taxes added to your base monthly payment that are not included in the gross capitalized cost.

13 In addition to your monthly payment, you may have to pay personal property taxes, registration, and other items. Look for these amounts in your contract.

15 Make sure you understand what counts as excessive wear in your contract.

17 If you have a purchase option, a dollar amount or a reference to an independent pricing guide should be provided.

1 You are the lessee.

4 These charges are in addition to your monthly payment. A disposition fee, if any, is paid at the end of the lease and covers the lessor's costs of selling the vehicle. These charges do not include amounts that may be due if you end the lease early or exceed wear or mileage limits.

5 Refundable amounts such as a security deposit are not included. The total also does not include amounts that may be due if you end the lease early or exceed wear or mileage limits. In this example, 5 = (2 + 3 + 4) - (payments due at lease signing + security deposit).

6 Totals of columns 6a and 6b should equal one another.

14 Read your contract carefully to understand how early termination charges will be calculated.

16 Try to have the mileage limits in the lease match your driving needs. It may be less expensive to increase the mileage limit at the beginning than to pay for extra miles at the end of the contract.