



# FROM COUNSEL

A Preventive Law Service of The Office of The Judge Advocate  
General  
*Keeping You Informed On Personal Legal Affairs*

## Leasing an Automobile?

Whether leasing an auto is right for you or not depends on several factors, including your lifestyle, finances, and personal preferences. If you are not careful your military employment may adversely affect your ability to complete the term of your lease and cost you money. For example, will your auto lease continue if you deploy or do you have a “termination” option?

Under the Federal Consumer Leasing Act, you have a right to information about the costs and terms of a vehicle lease. This information will help you compare lease offers and negotiate a lease that best fits your needs, budget, and driving patterns. Leasing differs from buying, here's how . . . (View **Keys to Vehicle Leasing** @ <http://www.federalreserve.gov/pubs/leasing/#payments>).

### Ownership

**LEASING:** 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.

**BUYING:** You own the vehicle and get to keep it at the end of the financing term.

### Up-front costs

**LEASING:** 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.

**BUYING:** Up-front costs include the cash price or a down payment, taxes, registration and other fees, and other charges.

### Monthly payments

**LEASING:** 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.

**BUYING:** 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.

### Early termination

**LEASING:** You are responsible for any early termination charges if you end the lease early.

**BUYING:** You are responsible for any pay-off amount if you end the loan early.

### Vehicle return

**LEASING:** You may return the vehicle at lease end, pay any end-of-lease costs, and “walk away.”

**BUYING:** You may have to sell or trade the vehicle when you decide you want a different vehicle.

### Future value

**LEASING:** The lessor risks the future market value of the vehicle.

**BUYING:** You risk the vehicle's market value when you trade or sell it.

### Mileage

**LEASING:** 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.

**BUYING:** You may drive as many miles as you want, but higher mileage will lower the vehicle's trade-in or resale value.

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## End of term

**LEASING:** 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.

**BUYING:** At the end of the loan term (typically 4-6 years), you have no further loan payments.

## Q. Is Auto Leasing A Smart Move?

A. It really depends on your personal situation and you should compare costs. You can often lease a vehicle for a monthly payment which is less than that what you would pay to buy. Here are some general guidelines: If you buy a new car every two to four years, don't typically drive more than 12,000-15,000 miles a year per car, and are very careful with your car, leasing may be a good choice for you. If, however, you like owning your car free and clear and intend to drive it for a decade, buying new or used is a better decision. Check out *Owning an Automobile* @ [http://www.financiallearning.com/resource\\_center/planning\\_tools/index.html](http://www.financiallearning.com/resource_center/planning_tools/index.html).

## Q. Can I find information on the Internet?

A. Yes, today there are many web sites with useful hints and tips.

- For instance, [www.intellichoice.com](http://www.intellichoice.com) evaluates national and regional subsidized leases offered by manufacturers. Intellichoice.com @ <http://www.intellichoice.com/ic2/lease/lease.ssi> has an informative pamphlet on *What you should know before, during, and at the end of a lease*.
- For details on lease cost calculation and new-car and dealer-invoice prices, check [www.edmunds.com](http://www.edmunds.com).
- Find out how to prepare and negotiate a lease deal at [www.leaseguide.com](http://www.leaseguide.com).
- If you're looking for leasing worksheets, try [www.smartmoney.com](http://www.smartmoney.com), [www.money.com](http://www.money.com), and for new-car and dealer-invoice prices, go to [www.carpaint.com](http://www.carpaint.com). SmartMoney.com offers leasing calculators to help you determine the true cost of leasing an auto. Visit @ <http://www.smartmoney.com/ac/autos/leasing/index.cfm?story=cc>.
- About.com offers *Buying vs. Leasing* @ <http://cars.com/carsapp/about/?szc=10017&srv=parser&act=display&tf=/advice/financing/loanlease/loanleasindex.tmpl>.
- Family Money.com offers, Automobile Buying or Leasing @ [http://www.familymoney.com/scgi/dailycontent/fm.cgi?FNC=story\\_Asmart\\_sub\\_html\\_2979\\_1\\_89](http://www.familymoney.com/scgi/dailycontent/fm.cgi?FNC=story_Asmart_sub_html_2979_1_89).
- Bloomberg.com offers a comparison calculator online comparing leasing with purchase @ [http://www.bloomberg.com/money/loan/lob.cgi?template=loan\\_lease\\_calc.ht](http://www.bloomberg.com/money/loan/lob.cgi?template=loan_lease_calc.ht).

## Q. As a military member, is there anything special I should consider?

A. Yes, especially if you are "deployable" or anticipate that you may deploy while you are leasing the car. Be sure to review the lease to be sure it has the terms you want and that you understand them. For example, if you deploy, will you continue to pay on the lease even if you park the car for the duration of your deployment? You may desire to obtain "gap insurance". If you stop using the car before the lease expires — as a result of a collision, for example — this insurance covers the difference between the residual value of the car and the amount you still owe under the lease.

## Q. Where can I get additional information?

A. Visit your local legal assistance office to have an attorney review the lease before you sign.

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