

# Smarter Car Leasing

## How to Protect Yourself : Car Leasing

Although lower monthly payments make auto leasing appear to be an attractive alternative to financing the purchase of a car, the technical and complex language, and the greed of some car salesmen, cause car leasing to be an option that is fraught with many pitfalls for the average consumer.

The Attorney General of Florida has received numerous complaints from consumers, many of whom have been pressured into auto leasing, not been credited for their trade-in vehicle, or have complained of being defrauded in other ways. Be aware that once you sign a lease, you have no automatic legal right to cancel. Before entering into an auto lease, consider the following:

### What is a Vehicle Lease?

A lease is a long-term rental agreement. You are paying for the right to drive a vehicle for the term of the lease, but you do not own it. In most instances, you will be responsible for all maintenance on the vehicle, and your insurance rates will usually be higher.

Isn't a lease a good deal if my monthly payments are less than if I purchased the car with financing?

Not necessarily. The monthly payments should be significantly less because you don't own the car. Your monthly payments are based upon the following items:

**CAPITALIZED COST** or "Cap Cost." This is just fancy terminology for the price of the car. The lower the cap cost, the lower your monthly payment. Cap cost may be the same as the **STICKER PRICE** of the car, but you can negotiate for a lower cap cost, just like you can to buy it, so don't be afraid to shop around. The cap cost is reduced by the amount of cash or trade equity that you put into the deal that exceeds inception and acquisition fees. The correct amount of credit for your trade-in should be indicated. If manufacturer rebates or dealer coupons are offered, such credit should also reduce the cap cost. Your total credits should be specified.

**MONEY FACTOR.** This is a fancy term for "interest rate." The lower the money factor, the lower your monthly payment. The money factor will usually range from .0021 to .0046. Ask the dealer to put your money factor in writing. Then you can multiply it by 2400 to calculate the interest rate. Remember that even the money factor is negotiable!

What else should I know about leasing?

The Motor Vehicle Lease Disclosure Act took effect on October 1, 1995, and it provides that all leases must meet certain requirements. You are entitled to copies of all documents which you sign during the course of the lease transaction especially the lease contract which will contain several very important terms. First, the lease contract will be clearly marked as a lease. Second, the price of the car or truck, with any added options and costs, will be listed. Third, your net trade-in value, cash, or rebate will be listed. And fourth, the bottom line price of what you are leasing will be indicated. It is important for you to review these disclosures carefully. Make sure that they reflect what you negotiated with the dealer. **Many of the complaints which the Attorney General's Office has received relate to disclosures, so please read the**

disclosures with care.

You should beware of:

- Leasing a car on the first visit;
- Relying on verbal promises made by agents or Lease Managers (whose profit motive may well out-weigh their motive for telling the truth);
- Giving the agent a deposit before you thoroughly read, reread, understand and are satisfied with any completed lease agreement;
- Paying a lot of extra money for an extended service contract when your new car warranty will provide coverage for the major portion of the lease term.

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Source: The Florida Attorney General's Office