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## FROM COUNSEL

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

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### *Leasing an Automobile*

Leasing a car costs much more in the long run than simply purchasing one. You should only lease if you are certain that you do not want to keep the car and that you will be trading it in within the next few years. Generally, 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.

When leasing a car, your payments are based on the dollar amount of the depreciation in the car's value from the time you get it until lease end. The *capitalized cost* is the equivalent of the selling price of the vehicle. The *residual value* is the estimated worth of the vehicle at the end of the lease. Payments are determined by the difference between these two figures, plus a *money factor*, which reflects interest you will pay.

To help drive a good bargain, be aware that factory to dealer incentives on some vehicles mean that the dealer's costs could be much lower than the invoice price, meaning more room to bargain for a lower capitalized cost. Consult the Kelley Blue Book (KBB.com) and Edmunds.com to find invoice prices, factory to dealer incentives, and actual prices customers are paying in your area.

What about deployments, or PCS moves outside the continental United States?

As with housing leases, the Servicemember's Civil Relief Act (SCRA) provides relief to Soldiers and Family members whose automobile leases are impacted by deployments or PCS. Under the SCRA, pre-service automobile leases may be cancelled if the Servicemember receives orders to active duty for a period of 180 days or more. The SCRA also provides that automobile leases entered into while on active duty may be terminated if the soldier receives PCS orders to a location OCONUS for 180 days or more, if the Soldier provides written termination request, a copy of his/her orders, and returns the vehicle within 15 days of written termination delivery. Under those circumstances, no early termination charge is allowed, but other specified fees are permitted. The lessor is also entitled to rent or lease charges paid in advance within 30 days of termination.

The following chart is available on the Federal Reserve website.  
Go to <http://www.federalreserve.gov/pubs/leasing/#difference> for more information.

| Ownership   |  |
|---|--|
| <b>LEASING:</b> You do not own the vehicle. You get to use it, but must return it when the lease ends.  | <b>BUYING:</b> You own the vehicle and get to keep it at the end of the financing term.  |
| Up-front costs  |  |
| <b>LEASING:</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.   | <b>BUYING:</b> Up-front costs include the cash price or a down payment, taxes, registration and other fees, and other charges.   |
| Monthly payments  |  |
| <b>LEASING:</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.   | <b>BUYING:</b> 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   |  |
| <b>LEASING:</b> You are responsible for any early termination charges if you end the lease early.   | <b>BUYING:</b> You are responsible for any pay-off amount if you end the loan early.   |
| Vehicle return  |  |
| <b>LEASING:</b> You may return the vehicle at lease end, pay any end-of-lease costs, and "walk away."   | <b>BUYING:</b> You may have to sell or trade the vehicle when you decide you want a different vehicle.   |
| Future value  |  |
| <b>LEASING:</b> The lessor risks the future market value of the vehicle.  | <b>BUYING:</b> You risk the vehicle's market value when you trade or sell it.  |
| Mileage   |  |
| <b>LEASING:</b> Most leases limit the number of miles you may drive (often 12,000-15,000 per year). You will likely have to pay charges if you have exceeded the limit upon return of the vehicle. You can negotiate a higher mileage limit and pay a higher monthly payment. | <b>BUYING:</b> You may drive as many miles as you want, but higher mileage will lower the vehicle's trade-in or resale value.  |
| End of term   |  |
| <b>LEASING:</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.   | <b>BUYING:</b> At the end of the loan term (typically 4-6 years), you have no further loan payments.   |