

AUTO LOANS 101

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TO LEASE OR TO FINANCE: THAT IS THE QUESTION!

Here are the main factors when deciding whether it's better for you to lease or finance a new vehicle.

	LEASE	FINANCE
OWNERSHIP	You pay to use the vehicle during the term of the lease and must return it at the end of the lease unless you choose to purchase the vehicle.	You own the vehicle free and clear after your financial obligations are met. It will be yours to keep, sell or trade in on your next vehicle.
PAYMENT	Monthly lease payments may be lower than comparable term monthly loan payments because you are paying for the portion of the vehicle's value used during the lease term, plus interest.	Monthly loan payments will be higher than comparable term monthly lease payments because you pay for the entire purchase price of the vehicle. Each payment helps build vehicle equity toward a future trade-in.
CUSTOMIZATION	You can customize your vehicle with approved accessories through your dealer, but only at the beginning of your lease.	You can customize your vehicle any way you like, and at any time.
MILEAGE	You have a variety of mileage options to choose from at the beginning of your lease to meet your driving needs. You are responsible for any excess mileage charges unless you choose to purchase the vehicle.	Although you may drive as many miles as you want, higher mileage will lower the vehicle's trade-in or resale value.
WEAR AND TEAR	A normal amount of wear and tear is covered. You are responsible for wear and tear in excess of normal limits unless you choose to purchase the vehicle.	There are no charges for vehicle wear and tear. However, excessive wear will lower the vehicle's trade-in or resale value.
END OF TERM	At the end of the lease, you have the flexibility to either purchase your leased vehicle at a predetermined price or return it.	At the end of the loan, you own the vehicle. It is yours to keep or trade in on your next vehicle.

SAMPLE COMPARISON	LEASE	FINANCE	
Term	48 months	48 months	Terms range from 24 to 84 months; a typical lease lasts half the time of a typical car loan—once the lease is up, you can move on to your next vehicle
Interest rate	4.0%	4.0%	Interest rates can vary widely—when you see a manufacturer offering a lease or finance rate as low as 0%, make sure you look closely at the fine print to fully understand what you are agreeing to
Selling price	\$ 21,000.00	\$ 21,000.00	
Taxes	N/A	\$ 1,050.00	Taxes on financing are paid up front, whereas taxes on leasing are paid as you go
Title and registration	\$ 315.00	\$ 315.00	
Total amount	\$ 21,315.00	\$ 22,365.00	
Base payment	\$ 290.48	N/A	Lease payments are typically lower than finance payments because you are only paying for the portion of the vehicle's value used during the lease term, plus interest
Taxes on payment	\$ 14.52	N/A	
Total monthly payment	\$ 305.00	\$ 505.00	
Lease-end residual value	\$ 10,000.00	N/A	The lease-end residual value is what the vehicle will be worth at the end of the term—you can choose to purchase the vehicle for this amount or simply return the vehicle
Total cost to own	\$ 24,640.00	\$ 24,240.00	Don't be fooled by how close the final prices are—if you choose to buy the leased vehicle at the end of the term, you'll need to come up with \$10,000 on the spot, or take out an additional loan, resulting in an extra \$600 to \$700 in interest; you may also be required to pay an acquisition fee and leave a security deposit for a leased vehicle

This is an example only. Fees, interest rates and sales tax rates will vary depending on your financing options and the state that you live in.

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