

# LEASING VS. BUYING

## 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 has the risk of the future market value of the vehicle.

**BUYING:** You have the risk of 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.

## EXCESSIVE WEAR

**LEASING:** 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.

**BUYING:** 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.

## 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.

"Keys to Vehicle Leasing" brochure (in English and Spanish) containing some of the information included at this vehicle leasing site is available from *Publications Fulfillment, MS-127 Board of Governors of the Federal Reserve System Washington, DC 20551, Telephone: (202) 452-3244 or 3245.*