

Leasing Glossary

In order to get a good leasing deal, you need to understand leasing jargon. Read through this leasing glossary to get an overview of the basics:

Acquisition fee: A fee charged by a leasing company to begin a lease. Not all leasing companies charge an acquisition fee but if charge it starts at about \$300 and is seldom negotiable.

Capitalised cost: The total selling price of the leased vehicle This also accounts for taxes, title, license fees, acquisition fee and any optional insurance and warranty items you elect to fold into the lease and pay overtime rather than upfront.

Depreciation fee:

Forms part of the monthly lease payment charge and accounts for the loss in the value of the car at the end of the lease. The vehicle's list price minus the expected residual value at lease end is divided by the number of months in the lease to give the depreciation fee. Suppose you decide to lease a vehicle with a retail price of \$23,500. The leasing company estimates that after a three year lease, the vehicle will be worth 35% of its original retail value, or \$8,225. The difference, \$15,275, divided by the number of months in the lease, 36 months, gives us the depreciation fee (\$424)

GAP insurance Pays off the lease balanced if the vehicle is wrecked, stolen or totalled.

Inception fees any fees that are due at the beginning of a lease. These typically include a security deposit, acquisition fee, first monthly payment, taxes and title fees.

Mileage allowance The maximum number of miles a leased vehicle can be driven a year without incurring an excess mileage penalty. A typical mileage allowance is 12,000 to 15,000 miles a year, although this is negotiable with your leasing company.

Mileage charges a penalty that you incur if you exceed your mileage allowance on a leased vehicle. Typical mileage charges are 10 to 20 cents per excess mile.

Money-factor A fractional number, such as 0.00043, used in calculating your monthly lease payments. You can get a rough estimate of the annual

percentage rate on your lease by multiplying the money factor by 2,400. If a dealer quotes a money factor such as 3.4 than you can get the equivalent APR, 8.16, if you multiply by 2.4.

Residual value Residual value is the amount of money the leasing company says your leased vehicle will be worth when your lease ends. Higher residual values lead to lower monthly payments but higher lease-end purchase cost if you decide to keep the vehicle.

Security deposits an up-front amount that your leasing company required at the beginning of a lease to safeguard against non-payment. This is generally refundable at the end of your lease.

Termination or Disposition fee The amount you have to pay the leasing company at the end of your lease if you decide not to purchase the vehicle.

Wear-and-tear charges Extra charges you have to pay at the end of your lease for any wear and use the leasing company considers above normal

(Word count: 503)

PPPPPP