



Auto Leasing Overview

What is a Lease?

- Ⓢ Defined in Webster's Dictionary as "a contract by which one conveys equipment...for a specified term and for a specified rent."
- Ⓢ Practical definition is an available option for financing a vehicle...basic principle is that you pay only for what you use of the vehicle.

Differences between Leasing and Financing

Leasing

- Ⓢ Finances the actual use of the vehicle
- Ⓢ Pay for depreciation portion of vehicle cost
- Ⓢ Lower monthly payments
- Ⓢ Ownership if purchased at end-of-lease

Financing

- Ⓢ Finances the entire purchase of the vehicle
- Ⓢ Pay entire cost including depreciation
- Ⓢ Ownership as part of purchase

Ownership

- Ⓢ Financing – ownership and keep car at end of term
- Ⓢ Leasing – ownership only if choosing to purchase at lease-end

Vehicle Return

- Ⓢ Financing – may need to sell or trade when choosing a different vehicle
- Ⓢ Leasing – choice to return, pay any excess charges, and walk away

Future Value

- Ⓢ Financing – have full risk of vehicle's market value when selling/trading
- Ⓢ Leasing – lessor has full risk of market value of vehicle

Key Advantages of Leasing and Buying

Buying Advantages

- Ⓢ Pride of Ownership
 - Owner has the ability to do what they want with the vehicle
- Ⓢ No Mileage Penalty
 - Owner can place unlimited miles on the vehicle
 - Higher miles, though, increases depreciation and lessens value
- Ⓢ Increased Flexibility
 - Owner can sell the vehicle at any time
 - Subject to changes in the used car market
 - Subject to the challenges and costs of selling the vehicle

High Mileage Impacts Market Value

Leasing Advantages

- Ⓢ Lower Payments
 - Lease payments are lower because lessee pays only for a portion of the full cost of the vehicle over the lease term
 - CU member can drive nicer car for similar cost
- Ⓢ Lower Up-front Costs
 - CU member has the choice to make cap cost reduction
 - Drive-away costs are 1st payment, acq fee, reg. fees
- Ⓢ More Vehicle for the Money
 - CU member can drive better car and more often
 - Renews in leasing cycle every 3 - 4 years
- Ⓢ Fewer Maintenance Headaches
 - Lease term can coincide with manufacturer's warranty
 - CU member incurs lower costs as most repairs covered

Ⓢ Gap Waiver Coverage

- Totaled or stolen vehicle insurance proceeds can be less than balance owing on the lease – difference referred to as a “gap”
- Gap waiver covers this difference (deductible is due)
- CU Xpress Lease contracts include Gap coverage

Ⓢ Hassle-free Lease-end Options

- Member can purchase for residual value with CU financing
- Member can extend lease term up to 36 months
- Can also return vehicle and avoid effort and expense of selling

Buy what appreciates...Lease what depreciates