

CONSUMER'S EDGE

CONSUMER PROTECTION DIVISION, MARYLAND OFFICE OF THE ATTORNEY GENERAL

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READ THE FINE PRINT BEFORE YOU LEASE AN AUTOMOBILE

When an Ellicott City man returned his leased vehicle, he was charged \$1,205 for paint and labor to repair dings that he thought were normal wear and tear.

When an Annapolis consumer leased a car, she experienced numerous repair problems with the transmission, engine, and wiring. Each time the car needed repairs, she was responsible for a \$50 deductible under her contract.

A Baltimore couple prepared to sign what they thought was a car sales contract, but they learned it was a lease agreement. The salesperson told them the transaction was just like a sale.

After looking at the sticker price of a new or used car, you may be tempted to lease instead of buy. But be sure you fully understand the lease before you sign the contract.

Maryland's leasing law offers consumers who lease vehicles many of the same protections received by consumers who buy vehicles through traditional financing methods. However, there remain significant differences between leasing and buying a car.

When you lease, you rent a car for a period of time. You will pay a monthly fee that covers the cost of using the car, depreciation of the car, and other costs. At the end of the contract, you give the car back. You do not own it. If you then decide to purchase the car, you will have to pay a substantial amount of money at that time, in addition to the money you already paid to use the car during the lease period. That means you probably would have to take out a loan to purchase the car. If you want to own your vehicle and plan to keep driving it after it's been paid for, you're generally better off buying it.

Based on the experiences of many Marylanders who have written to the Office of Attorney General, lease agreements may contain costs that are not apparent from the ads. Do not make a decision to lease based solely on the amount of your monthly payment. Before you

sign your contract, make sure you clearly understand how much you will pay in each of the following categories:

- Up-front costs
- Monthly costs
- Maintenance and repair costs
- Penalties
- End-of-lease costs

Lease agreements are much different from sales agreements, so be sure you understand the contract before signing. Once you sign the contract, it's virtually impossible to change your mind without having to pay heavy penalties.

MOTOR VEHICLE LEASE AGREEMENT

LESSEE Name:	CO-LESSEE Name:
Address:	Address:
LEASE DATE:	MEMBER NO.:

This Motor Vehicle Lease Agreement, referred to as the "Lease," is a close... the words "Lessor," "we," and "us" refer to the person or entity des... "your" refer to each person or entity who signs this Lease as Lessee... vehicle you are leasing under this Lease. The disclosures included in t...

1. DESCRIPTION OF VEHICLE

<input type="checkbox"/> New	Year	Make
<input type="checkbox"/> Used		

If a vehicle is being traded in to reduce the capitalized cost, the tra...

2. FEDERAL CONSUMER LEASE CONTRACT AND OTHER INFORMATION

a. Amount Due at Lease Signing or Delivery	b. Monthly Payments
Your	Your monthly payment of

Up-Front Costs

Advertisements often claim that if you lease, you won't have to make a down payment. While there may be no charge called a "down payment," you may have to pay other up-front costs such as the first and last month's payment, a security deposit (usually one month's payment), insurance, acquisition fees, sales tax, license registration, and title fees. Ask for a breakdown of all the up-front costs you will be paying. Also, some dealers or leasing companies charge a "capitalized cost reduction," which is essentially a down payment. An advertisement that states



what the monthly payment will be must also disclose all amounts that will be due from you at lease signing.

Monthly Costs

Your monthly payment is based on the capitalized cost of the vehicle. Capitalized cost, often called “cap cost” is negotiable, like the sticker price of a car you buy. You can negotiate a lower monthly payment by bargaining for a lower cap cost.

You can more easily negotiate your cap cost if you know what the leasing company paid for the car. Try to do as much research as you can on cap costs before heading into the dealership.

The money factor, or lease charge, which is similar to an interest rate, also affects your monthly payment. You can also negotiate the money factor, if you can get the leasing company to disclose it. Many leasing companies and car dealers will not disclose this figure to the consumer, but you can still ask for it.

Maintenance and Repair Costs

In addition to monthly payments, you are usually responsible for routine maintenance and mechanical and body repairs. For an extra monthly fee, some leasing companies cover all or some repairs, but you may be charged a deductible each time. Ask about the deductible and what, if any, manufacturer’s warranty applies.

Penalties

Make sure to ask when you might be charged a penalty. Some examples of this may include moving out of the city, state, or country where you leased the car, or terminating the lease early.

If you want to get out of your lease agreement early, expect to pay a stiff early termination fee, sometimes several thousand dollars. The earlier you break the lease, the greater the penalty.

If the car is stolen or destroyed in an accident, the dealer may consider this an early termination. Your insurance may cover the current value of the car, but that amount could be less than what you owe under the lease.

If you default on your lease contract, the leasing company must comply with the same procedures as for repossessing a sold vehicle. As with traditional financing, a consumer who leases has the right to cure any default. However, a consumer who defaults would still be liable for substantial default penalties.

End-of-Lease Costs

Leases typically limit the number of miles you may drive per year. Exceed that limit, and you could be charged anything from 7 to 25 cents or more per additional mile, depending on your agreement.

You may be charged for excessive wear and tear, the definition of which is not always spelled out clearly in every leasing agreement. You may also be assessed a vehicle “disposition charge” to prepare your car for sale.

Make sure you know whether or not you’ll be entitled to buy the car when your lease expires. If you’re entitled to buy, find out how the purchase price, which may be thousands of dollars, will be determined and what that price is.

Before you sign the lease, make sure each of these items is explained in detail within the contract so there are no surprises at the end of your lease.

Read Before You Sign

Finally, be sure all of the terms you have negotiated are included in your written lease agreement before you sign it. For example, be sure you have been given proper credit for your trade-in, if you have one. As with most contracts, once you have signed, it’s too late to change your mind.

HOW TO CONTACT US

Consumer Protection Division

200 St. Paul Place, 16th Fl., Baltimore, MD 21202

- **General Consumer Complaints:** 410-528-8662
Toll-free: 1-888-743-0023 TDD: 410-576-6372
En español: 410-230-1712
9 a.m. to 3 p.m. Monday-Friday
www.marylandattorneygeneral.gov/Pages/CPD/
- **Health Consumer Complaints:** 410-528-1840
Toll-free: 1-877-261-8807 TDD: 410-576-6372
9 a.m. to 4:30 p.m. Monday-Friday
www.marylandcares.org
- **For information on branch offices** in Largo, Salisbury, Hagerstown, and a full list of offices across Maryland, visit: www.marylandattorneygeneral.gov/Pages/contactus.aspx

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