

## Dealer Leasing Tricks

Too often when it comes to auto-leasing, people get so dazzled by the myriad terms and the jargon thrown their way that they end-up paying through the nose, relying on a dealer's "help" than their own informed decision.

Here is a look at some of the tricks dealers use to pad their profits and leave the customers shelling hundreds of dollars more than the deal should be worth.

### Trick 1: Leasing always a better deal than buying

Dealers use the lure of lower-monthly payments to entice customers to sign for long-term loans, with terms stretching for five years or more, making the payments even lower. There are two catches with such lengthy contracts: higher mileage, exceeding the prescribed limit, and hefty repair costs. With

leases charging on average 10 to 20 cents a mile for any extra mile over the agreed amount in the contract, and warranties only covering three years, you leave yourself wide open for hefty charges for excessive mileage and wear and tear.

### Trick 2: Cheap 2-3% APR rate on your lease

The dealer is not quoting the interest rate you would be paying on your lease; he's rather giving you the lease money factor. Whilst similar to an interest rate and important in determining your monthly payment, a more accurate rate is calculated by multiplying the money factor by 24. For example a "cheap" 3% money factor is  $24 \times 0.003 = 7.2\%$ . This gives you a better sense of what your annual interest rate on your lease contract is.

### Trick 3: Stress-free early lease termination

Dealers know consumer driving needs change and they would like to have the option of getting out of a lease commitment sometime down the road, before their lease ends. Truth of the matter is, when you sign for a lease, you are effectively saddled with monthly payments for the remainder of the lease term and there is little-choice of getting out early. Lease contracts carry hefty financial penalties for either defaulting on monthly payments or terminating the lease earlier than the scheduled term.

To avoid being on the receiving end of such tried-and-true tricks, educate

yourself about leasing. Get down to the nitty-gritty and understand what the leasing terms used by dealers mean. Crunch the numbers along with him and understand how they arrived at the monthly payment figure. Don't sign anything until you've understood all the terms and your numbers much those of the dealer. Do not let the dealer pressure you into signing; you are the one to determine whether the agreement is right for you.

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