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AUTO

5 dumb car leasing mistakes to avoid

By Margarette Burnette • Bankrate.com

Car leasing missteps

1 of 7



Consumers who lease a car usually do so because they get the chance to drive newer, "better" model cars for less money than the **cost of a purchase**.

But **drivers** who want to lease a car should make sure they read the fine print before signing a contract, says Philip Reed, senior consumer advice editor at auto research site Edmunds.com.

"People make a lot of mistakes when setting up their **car leases**, and it can cost them a lot of money," he says. Here are five common car

leasing mistakes that consumers should avoid.



Paying too much money upfront

2 of 7



Dealers advertise low monthly car lease payments on new vehicles, but consumers are usually asked to shell out several thousand dollars at the beginning of the term to get the **rock-bottom payment**, says Reed.

That money is generally used to pay a portion of the car lease in advance. "But prepaying is a



problem if the [car](#) is wrecked or stolen in the first few months," says Reed.

If that were to happen, the insurance company would reimburse the leasing company for the value of the car, but the money the customer paid upfront would probably not be refunded, he says. As a result, the consumer wouldn't have a car, even though he or she spent a lot of money for the time period.

For that reason, Reed suggests that [consumers](#) not pay more than about \$2,000 in advance. "In many cases, it makes sense to put nothing down," he says.

With less money paid upfront, the monthly payment would be higher. But, consumers could take the "prepayment" cash and deposit it in an interest-bearing account instead.

A lessee could then use the funds to help make the monthly lease payments, says Reed. But should something happen to the car before the end of the term, he wouldn't have to worry about the extra money being in the leasing company's possession.



Forgetting gap insurance

◀ 3 of 7 ▶



The value of any [new car](#) drops significantly after it's driven off the lot -- and leased cars are no exception, says David Jacobson, CEO of CU Xpress Lease in Hauppauge, N.Y., which originates and services car leases for credit unions.

If a leased car is stolen or totaled and the [car insurance](#) company makes a payment for the value of the car, that amount may not cover the consumer's total obligation under the terms of the lease, he says.

The driver would likely have to come up with the balance out of pocket unless he has gap insurance. In that case, the [policy](#) would cover the difference, he says.

At the beginning of any car lease, consumers should ask if the contract includes this specialty [gap insurance](#) coverage, says Jacobson. If it doesn't, the customer should consider finding a car with a lease plan that does.

"There is exposure without [gap insurance](#)," he says, "So, I would not lease a car without it."



Underestimating your miles driven

◀ 4 of 7 ▶





According to Jacobson, many leasing companies are able to advertise [low monthly payments](#) because they have low mileage limits.

It's common for leasing contracts to have a driving maximum of [12,000 miles to 15,000 miles](#) per year, he says. If consumers exceed those limits, they could be charged an extra 18 cents to 25 cents per mile at the end of the lease.

"You could wind up owing a lot of money for miles when it's time to turn in the car," Jacobson

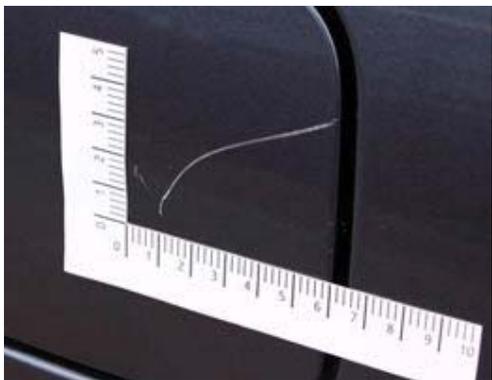
says. The driver could owe [big bucks](#) on a vehicle he or she is no longer driving.

To avoid this extra fee, consumers should know their driving habits [before signing](#) the contract, says Jacobson. If they know they'll probably travel more miles than the agreement allows, they could ask for a higher limit.

Still, there's a drawback. The required monthly lease payment would likely increase along with the mileage increase, he says.



Not maintaining the car



If the car has damage that goes beyond normal wear and tear, the driver could be on the hook for extra fees when it's time to turn it in to the [dealer](#), says Jacobson.

Generally speaking, if a [car](#) has a scratch but the mark is less than the size of a driver's license or business card, many companies will consider it normal use. So, they probably won't charge a penalty, says Jacobson.

Jacobson says that if there's damage to the car, the [customer](#) will have an opportunity to have it fixed on his or her own dime before turning it in.

Otherwise, the leasing company will assess a value to the damage.

In terms of "normal wear," the definition can vary, and drivers shouldn't assume that their own lease servicers will be lenient. "Some will nit-pick the car to pieces," says Jacobson. "Before getting the vehicle, consumers should ask what the lease-end-condition guidelines are."

Barbara Terry, an automobile columnist and author of "How Athletes Roll," says if the car is significantly damaged, drivers can expect a bill for repairs at "full market price."





Most car-lease terms range from two to four years, though some can go longer, says Reed. However, drivers who lease cars for too long could end up paying extra money in [maintenance](#).

Reed suggests that consumers not lease cars for more than the car's warranty period, which averages three years or 36,000 miles. "That's a turning point in the car's life, when it goes out of the bumper-to-bumper warranty," says Reed.

"If you keep the car longer, you'd have to consider getting an [extended warranty](#) at an

additional cost, plus you may need to pay for new tires and brakes -- all for a car that you don't own," he says.

If a consumer plans to be in the same car for a long time, it's probably better to purchase it, says Terry.

"If the driver owns the car, he'd have to pay for the car and pay for [maintenance](#), but then he could continue to drive it for several years without having to worry about a required monthly lease payment," she says.



Additional resources



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[3 tips on extended warranties](#)

[6 car-buying mistakes](#)

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