



**For Immediate Release**

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**What's the Difference between Leasing and Buying a Vehicle?**  
***Knowing the Answer Helps Consumers Make an Educated Decision***

**WASHINGTON March 15, 2011** – With leasing making a comeback, consumers again are faced with the option of buying or leasing a vehicle. While buying and leasing each have their own advantages, they have important differences that Americans Well-informed on Auto Retailing Economics (AWARE) recommends consumers consider before going to the showroom.

“The decision to buy or to lease depends on an individual’s circumstances now and in the future. Before visiting the dealership, consumers need to consider their driving needs and requirements,” says AWARE spokesman Eric Hoffman. “Consumers who do their homework and understand the key differences between buying and leasing can apply that knowledge to their personal situations.”

To help consumers get started, AWARE outlines the major ways buying and leasing differ.

**Ownership** – One of the biggest differences is who owns the vehicle.

**Leasing:** Consumers have the right to use the vehicle for an agreed upon period of time, often with certain conditions (see “Mileage” below, for example). Since the consumer doesn’t own the vehicle, (s)he has to return it at the end of the lease period unless (s)he chooses to buy it. Most leases will have a purchase option before or after lease end, but there may be certain conditions for exercising that option. At the end of the lease term, consumers may have a new payment to consider: to finance the vehicle if choosing to buy it or to lease or purchase another vehicle.

**Buying:** Buying with cash gives a consumer immediate ownership of the vehicle. When financing, equity is built up over time, with full ownership of the vehicle once it is paid off. Once a consumer has full ownership, (s)he may choose to sell it, trade it or keep it.

**Up-Front Costs** – Both leasing and buying have up-front costs.

**Leasing:** Typical costs may include the first month's payment, a security deposit, a capitalized cost reduction (like a down payment), taxes, and registration fees.

**Buying:** Typical costs include the cash price or a down payment, taxes, and registration fees.

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**Monthly Payments** – The monthly payment associated with a leasing or financing arrangement can vary greatly.

Leasing: Monthly lease payments are usually lower than monthly financing payments because they only cover the vehicle's depreciation during the lease term, plus rent charges and other fees.

Buying: Monthly payments are usually higher than a monthly lease payment because it includes the entire purchase price of the vehicle plus finance charges and taxes.

**Early Termination** – Charges apply in both situations.

Leasing: Customers who end a lease early are responsible for any early termination charges, which may be substantial. Consumers should review their contract and talk to their dealer.

Buying: Those who finance a vehicle and choose to pay it off early will be responsible for the payoff amount.

**Mileage** – Assess driving needs when considering whether to lease or buy.

Leasing: Most leases limit the number of miles the vehicle may be driven (often 12,000-15,000 per year). It's possible to negotiate a higher mileage limit and pay a higher monthly payment. Consumers who exceed the mileage limit in the contract will likely have to pay charges for the overage when returning the vehicle.

Buying: Consumers can drive for as many miles as they want, but higher mileage will reduce the vehicle's trade-in or resale value.

**Wear and Tear** – The amount of wear and tear put on a vehicle affects the costs a consumer may face when returning or selling the vehicle.

Leasing: Most leases limit excessive wear to the vehicle. Consumers who exceed the normal wear and tear limits will likely have to pay extra charges when returning the vehicle.

Buying: There are no limits or charges for excessive wear, but this will lower the vehicle's trade-in or resale value.

AWARE is a vehicle financing industry coalition to help consumers understand how auto financing works. The group provides potential buyers of new and used autos with the tools and resources they need to successfully navigate the auto financing process. The AWARE Web site ([www.autofinancing101.org](http://www.autofinancing101.org)) includes materials in English and Spanish.

AWARE's members include: American Financial Services Association, National Automobile Dealers Association, National Association of Minority Automobile Dealers, American International Automobile Dealers Association, Ally Financial, American Honda Finance Corp., American Suzuki Financial Services, AutoNation, Ford Motor Credit Company, Group 1 Automotive, Inc., Lithia Motors, National Auto Finance Co., Nissan Motor Acceptance Corp., Nuveel Financial Services, Saab Financial Services Corp., Sonic Automotive, Inc., Toyota Financial Services, United Auto Group, Inc. and Wells Fargo Auto Finance.

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