Your lease agreement explained.

This information is provided solely as a guide to help illustrate some of the more frequently asked about components of a closed-end lease agreement. Your form may vary. Make sure you read your entire agreement, as each provision is important and should be understood prior to signing. Just like with any contract, carefully review to ensure all lines are populated with the correct information, including the accurate spelling of your name, current address, and agreed upon terms and calculations. If you’re unsure about anything, never be afraid to ask your dealer for clarification.

The overview.

The Lease Agreement is a written agreement between you, as a lessee, and the dealer, as the lessor, that outlines your obligations during the lease term. Once the Lease Agreement is executed, it is assigned to a finance company who is then responsible for servicing your account. As a lessee, you do not have ownership rights to your vehicle. At the end of your closed-end lease term, you may return the vehicle and pay the end of lease costs, if any, as outlined in your agreement. You may also purchase the vehicle at any time during the lease term.

1. Your lease agreement summary.

This section of your contract presents a summary of your agreement in four different boxes:

A. How much is due upfront
B. The amount due each month
C. Other charges you might have to pay, including the amount of the Disposition Fee at lease-end
D. The total obligation

As a reminder, your Lease Agreement may be organized differently than what is shown.

2. The itemization of amount due at lease signing or delivery.

This section feeds into Box A and may include, if applicable:

- The capitalized cost reduction which is similar to a down payment and is used to reduce the gross capitalized cost
- The refundable security deposit (if applicable)
- Any fees associated with the transaction that will be paid upfront rather than capitalized
  - This may or may not include your documentation fee (or administrative fee), which covers the dealer’s cost of processing paperwork for the lease, title, and registration.
  - You have the option to pay this amount upfront or over the term of the lease.
- Any funds that are applied from other sources (i.e. a trade-in or special program bonus)
3. How your payment is determined.

This section generates Box B of your lease agreement summary.

Your monthly payment includes depreciation, rent charge, taxes, fees, and any ancillary products that are capitalized.

The rent charge, similar to a finance charge, is the amount you are charged for being able to lease the vehicle. Depreciation is the amount you pay for the declining value of the vehicle over the term of your agreement. Certain factors, such as your allowable mileage, may impact the depreciation calculation. For example, a lower mileage allowance may reduce your monthly payment, however, you might be responsible for excess mileage charges at lease-end if you exceed your mileage allotment. Alternatively, a higher mileage may increase your monthly payment due to increased depreciation costs.

4. End-of-lease options and charges.

As a lessee, you may return the vehicle at lease-end and pay the Disposition Fee and any applicable excessive wear and mileage charges. These charges will be determined by an independent inspection company at lease end. Alternatively, you may choose to buy the vehicle and make it your own.

Excessive wear and use.

Most standard leases are calculated based on a specified number of miles you can drive, typically 12,000 a year. Lessees should carefully consider their driving patterns and behaviors to estimate the mileage that they will need for the lease term. If you determine during the lease term that you need more miles, you may be able to purchase additional miles. If you do not purchase additional miles during the lease term, and return the vehicle with a mileage that exceeds the mileage allotment in your agreement, you will be responsible for excess mileage charges as provided in your agreement.

End-of-term purchase option.

If you decide to purchase your vehicle at the end of your lease term, the purchase price, also called the Purchase Option Amount, and any applicable purchase option fee is included in the agreement. This purchase price does not include any additional official fees or taxes associated with the purchase.