

# 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)

Appendix A-1 Model Open-End or Finance Vehicle Lease Disclosures

**Federal Consumer Leasing Act Disclosures**

Date \_\_\_\_\_

Lessor(s) \_\_\_\_\_ Lessee(s) \_\_\_\_\_

<p><b>Amount Due at Lease Signing or Delivery</b> (Itemized below)*</p> <p style="text-align: center;"><b>A</b></p> <p>\$ _____</p>	<p><b>Monthly Payments</b></p> <p>Your first monthly payment of \$ <b>B</b> is due on _____, followed by payments of \$ _____ due on the _____ of each month. The total of your monthly payments is \$ _____.</p>	<p><b>Other Charges</b> (not part of your monthly payment)</p> <p>Disposition fee (if you do not purchase the vehicle) \$ _____</p> <p style="text-align: center;"><b>C</b></p> <p>Total \$ _____</p>	<p><b>Total of Payments</b> (The amount you will have paid by the end of the lease)</p> <p style="text-align: center;"><b>D</b></p> <p>\$ _____</p> <p>You will owe an additional amount: if the actual value of the vehicle is less than the residual value.</p>
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\* Itemization of Amount Due at Lease Signing or Delivery

Amount Due At Lease Signing or Delivery:	How the Amount Due at Lease Signing or Delivery will be paid:
Capitalized cost reduction \$ _____	Net trade-in allowance \$ _____
First monthly payment _____	Rebates and non-cash credits _____
Refundable security deposit _____	Amount to be paid in cash _____
Title fees _____	_____
Registration fees _____	_____
Total \$ _____	Total \$ _____

Your monthly payment is determined as shown below:

**Gross capitalized cost.** The agreed upon value of the vehicle (\$ \_\_\_\_\_) and any items you pay over the lease term (such as service contracts, insurance, and any outstanding prior credit or lease balance) ..... \$ \_\_\_\_\_

If you want an itemization of this amount, please check this box:

<b>Capitalized cost reduction.</b> The amount of any net trade-in allowance, rebate, non-cash credit, or cash you pay that reduces the gross capitalized cost .....	-
<b>Adjusted capitalized cost.</b> The amount used in calculating your base monthly payment .....	=
<b>Residual value.</b> The value of the vehicle at the end of the lease used in calculating your base monthly payment .....	-
<b>Depreciation and any amortized amounts.</b> The amount charged for the vehicle's decline in value through normal use and for other items paid over the lease term .....	=
<b>Rent charge.</b> The amount charged in addition to the depreciation and any amortized amounts .....	+
<b>Total of base monthly payments.</b> The depreciation and any amortized amounts plus the rent charge .....	=
<b>Lease term.</b> The number of months in your lease .....	÷
<b>Base monthly payment</b> .....	=
<b>Monthly sales/use tax</b> .....	+
<b>Total monthly payment</b> .....	=\$

**Rent and other charges.** The total amount of rent and other charges imposed in connection with your lease \$ \_\_\_\_\_.

**Early Termination.** You may have to pay a substantial charge if you end this lease early. The charge may be up to several thousand dollars. The actual charge will depend on when the lease is terminated. The earlier you end the lease, the greater this charge is likely to be.

**Excessive Wear and Use.** You may be charged for excessive wear based on our standards for normal use [and for mileage in excess of \_\_\_\_\_ miles per year at the rate of \_\_\_\_\_ per mile].

**Purchase Option at End of Lease Term.** [You have an option to purchase the vehicle at the end of the lease term for \$ \_\_\_\_\_ [and a purchase option fee of \$ \_\_\_\_\_].] [You do not have an option to purchase the vehicle at the end of the lease term.]

**Other Important Terms.** See your lease documents for additional information on early termination, purchase options and maintenance responsibilities, warranties, late and default charges, insurance, and any security interest, if applicable.

### 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.

#### Federal Consumer Leasing Act Disclosures

Date \_\_\_\_\_

Lessor(s) \_\_\_\_\_

Lessee(s) \_\_\_\_\_

<b>Amount Due at Lease Signing or Delivery</b> (Itemized below)* <b>A</b> \$ _____	<b>Monthly Payments</b> Your first monthly payment of \$ _____ <b>B</b> is due on _____, followed by _____ payments of \$ _____ due on the _____ of each month. The total of your monthly payments is \$ _____.	<b>Other Charges</b> (not part of your monthly payment) Disposition fee (if you do not purchase the vehicle) \$ _____ <b>C</b> Total \$ _____	<b>Total of Payments</b> (The amount you will have paid by the end of the lease) <b>D</b> \$ _____ * You will owe an additional amount if the actual value of the vehicle is less than the residual value.
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* Itemization of Amount Due at Lease Signing or Delivery			
Amount Due At Lease Signing or Delivery:		How the Amount Due at Lease Signing or Delivery will be paid:	
Capitalized cost reduction	\$ _____	Net trade-in allowance	\$ _____
First monthly payment	_____	Rebates and noncash credits	_____
Refundable security deposit	_____	Amount to be paid in cash	_____
Title fees	_____		
Registration fees	_____		
Total	\$ _____	Total	\$ _____

**Your monthly payment is determined as shown below:**

Gross capitalized cost. The agreed upon value of the vehicle (\$ _____) and any items you pay over the lease term (such as service contracts, insurance, and any outstanding prior credit or lease balance) .....	\$ _____
If you want an itemization of this amount, please check this box: <input type="checkbox"/>	
Capitalized cost reduction. The amount of any net trade-in allowance, rebate, noncash credit, or cash you pay that reduces the gross capitalized cost .....	-
Adjusted capitalized cost. The amount used in calculating your base monthly payment .....	=
Residual value. The value of the vehicle at the end of the lease used in calculating your base monthly payment .....	-
Depreciation and any amortized amounts. The amount charged for the vehicle's decline in value through normal use and for other items paid over the lease term .....	+
Rent charge. The amount charged in addition to the depreciation and any amortized amounts .....	=
Total of base monthly payments. The depreciation and any amortized amounts plus the rent charge .....	+
Lease term. The number of months in your lease .....	-
Base monthly payment .....	=
Monthly sales/use tax .....	+
Total monthly payment .....	=\$ _____

**Rent and other charges.** The total amount of rent and other charges imposed in connection with your lease \$ \_\_\_\_\_.

**Early Termination.** You may have to pay a substantial charge if you end this lease early. The charge may be up to several thousand dollars. The actual charge will depend on when the lease is terminated. The earlier you end the lease, the greater this charge is likely to be.

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**Other Important Terms.** See your lease documents for additional information on early termination, purchase options and maintenance responsibilities, warranties, late and default charges, insurance, and any security interest, if applicable.

#### 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.