

Dealer Lease Tactics

We've all seen the jokes and movies that feature a slick car dealer who will stop at nothing to make a buck. Unfortunately, these shady characters are all too common in real life purchasing and leasing scenarios as well. Sometimes, unwitting consumers get so caught up in the new car excitement, and so overwhelmed by the terms and processes, that they rely on the dealer's "expertise" rather than making their own informed decisions.

Automobile dealers and leasing agents do have a few tricks up their sleeves to pull in more profits. Watch out for these tactics, and you can save yourself a bundle:

"Leasing is Better Than Buying"

Marketers will prey on the emotions of the buyer to sell the product. Automobile dealers know that most consumers just don't have a great deal of disposable income, so they'll use the promise of lower monthly payments to lure customers to signing long term agreements. These contracts can stretch the buyer's commitment to as many as five years or even more, making the payments even lower. There are two catches that can make these lengthy contracts dangerous for the average buyer. First, having the vehicle for a longer period of time will naturally mean more mileage on the car. It's easy to put 80,000 miles on a car over the course of five years, but this exceeds the 15,000 per year mileage limit that is written into most leasing agreements. Remember, you will be obligated to pay for every mile over the limit. At 20 cents per mile, those extra 5,000 miles can add up to a hefty lease-end bill. Another disadvantage to an extended lease agreement is the amount of wear and tear that will inevitably affect your vehicle. Many warranties cover three years, making you entirely responsible for any repairs or damages incurred over the remaining two years.

"Low Lease Rate # Only 3 Percent Financing!"

Always read the fine print in a lease advertisement. The dealer or leasing agent is not quoting the actual lease rate that you will be paying. Rather, he or she is giving you the lease money factor. While this is similar to an interest rate, it's not exactly the same. The lease money factor is used to determine your monthly payment, but a more accurate rate is calculated by multiplying the money factor by 24. For example this "low" lease rate of 3% is actually the money factor. When we multiply 24×0.003 , the product is 7.2%. This is the annual interest rate that you will actually pay on your lease contract.

"Stress-free Early Termination"

Please. There is no easy way to terminate a lease. It is a legal agreement, and you are bound by law to meet your obligations. Even though dealers are well aware that consumers' situations can change and some leasers will want or need to opt out early, there is no easy way. When you sign a leasing agreement, you are required to make monthly payments for the remainder of the lease term, and there is little chance of getting out early. Lease contracts impose hefty financial penalties upon those who default on their payments or terminate the agreement before the end of the scheduled term.

These are all common and effective tactics that leasing agents use to bait and hook customers every day. So, how can you protect yourself from walking in to one of these traps? Education is your best defense. Learn as much as you can about the leasing process. Understand the terms used by dealers. Estimate the payments on your own, bring the calculations with you, and then crunch numbers along with your dealer to be sure that you clearly understand how he or she arrives at a monthly lease payment. Don't sign anything until you have a clear understanding all the terms, and your dealer's numbers are close to or the same as yours. Remember, you're the boss, so don't let your dealer pressure you into signing.

Knowledge is power, particularly when you're dealing with slick sellers. With the right amount of confidence and education, you will have the upper hand in the situation, you will be able to avoid falling for the typical tactics, and you will ultimately negotiate the best possible deal.