



# How to Negotiate an Auto Lease

Negotiating an auto lease can be very confusing and there is more involved than an auto loan, but you should understand and cover the following points with the finance manager before signing the lease paperwork.

## **Focus on Vehicle Price First**

- ☐ Negotiate the price of the vehicle first. Look up the vehicle's dealer invoice price online before you go to the dealer, to see what they pay for the car. This gives you a starting point for your negotiations. See if there are any rebates, incentives, lease specials and dealer incentives for that particular make and model.
- ☐ Ask the sales manager or finance manager what credit score is required to get approved for the lease. Shoppers usually need a good credit score to lease a vehicle, but it varies widely across lenders.

## **Mileage, Money Factor, Months for Lease**

- ☐ Figure out how many miles you want for your lease. You pay more for more miles, so don't buy too many, but get enough so you don't go over. Most leases offer a 9,000, 12,000 and 15,000-mile option. Also find out how much it will cost if you go over the mileage.
- ☐ Ask the finance manager about the money factor (interest rate), which determines your monthly payments. Also ask what the residual value is for the car you're interested in leasing, which you can also sometimes find online before you go to the dealership. A higher residual value means you'll pay less to lease the car.
- ☐ Then you should decide how many months you want to lease for. Having a longer lease may make your monthly payments lower. But the residual value will change depending on how many months you lease the car for. Most leases are about three years long.

## **Down Payment and Fees**

- ☐ Are you going to put any money down on the lease? Some leases don't require any money at lease signing, while others require several thousand dollars. Are you going to trade a vehicle in as your down payment? (Don't forget to negotiate your car's trade-in value if so.) Most times, the money due at lease signing covers your first monthly payment and the fees. Anything over that will simply lower your payments.
- ☐ Negotiate fees. Leasing fees include an acquisition fee, disposition fee, vehicle delivery fee and tag/title fee. Ask if a dealer fee applies and if so, how much will it add to the monthly lease payment? The dealer fee is pure profit for the dealership. This is negotiable and you should try to get them to lower it. They are still making a profit from your deal, whether it's a lower negotiated dealer fee or a dealer incentive for selling that car. The manufacturer will pay the dealer to sell certain vehicles that they have a high inventory for.
- ☐ Ask if there's a security deposit. Some lenders require one, but it can be negotiated out of the lease agreement. If you have to pay one, it will be refunded to you at the end of your lease, minus any disposition, mileage or damage charges.

### **Maintenance and Gap Insurance**

- ☐ Ask about the vehicle's maintenance schedule. Does maintenance have to be done at the dealership? Does the leasing company require any kind of maintenance schedule? Regular, factory scheduled maintenance is required most times to keep your warranty valid. But things like oil changes and tire rotations usually don't have to be done at the dealership.
- ☐ Ask about the end-of-lease buyout option. If you choose to, can you purchase the car at the end of the lease? Is there a fee for doing so? Usually, if you buy the car once the lease is over, you won't have to pay the disposition fee. But you may be charged a purchase option fee, which is sometimes less than the disposition fee. A negative of doing this is that the price of the car (if you decide to buy it) is already agreed upon when you sign the lease. After three years, you may be able to get a much better deal on the same used car somewhere else.
- ☐ Ask about gap insurance, and if it's included in the lease. Most times, it is. This is almost essential to have so that if the vehicle is totaled during your lease, the leasing company can't come to you and have you pay the difference from what you owe and the current value of the car. If your vehicle is totaled during the lease, the lease contract is voided and you have to start from scratch.

### **Lease Paperwork**

- ☐ Once you've agreed on the vehicle price, lease terms and fees, it's time to fill out the paperwork. Your lease paperwork will probably cover lemon laws, license plate transfer, rescission agreement (if you're denied for the lease or lie on your application, the dealer can ask for the car back), purchase agreement, we owe form (if you've asked the dealer to pay off your trade), cash back rebate form (if it was available on that model) and the lease agreement.

That's it! If you've followed all these steps, then you got a great deal on your brand-new leased vehicle. Although there are many items involved in financing a leased vehicle, and it can be daunting and confusing, once you get through the process, you can drive home in your new car, knowing you got the best deal you could.