Manufacturers and dealers are promoting leasing more than ever before; and, it’s working. Today about 30 percent of the people who drive new cars are leasing instead of buying. That’s a jump from 2.5 percent a little more than a decade ago. Before deciding whether to buy or lease a new car, the Minnesota Attorney General’s Office urges Minnesota consumers to review the following information about leasing.

Leasing is basically long-term car rental, usually lasting two to four years. You agree to pay a leasing company a fixed amount each month to drive a car that the leasing company owns. You also pay for insurance and routine maintenance such as oil changes. You receive a warranty, as you would for a car you buy. As with a car you own, if you damage a leased vehicle, you and your insurance must cover repairs.

It’s important to note that, unlike buying a car, leasing may mean that you will always have monthly payments. When you buy a car, the car loan is typically paid off long before the car is worn out. In contrast, leasing usually means endless payments.

Although you may be able to buy the car at the end of the lease, most people who lease turn in the car at the end of the term and lease another; so, the payments continue. In the long run, leasing may be more costly than buying despite the lower monthly payments.

There are several reasons why leasing is popular. With the prices of cars climbing, it has become harder and harder to afford monthly payments that will pay off a car in three years or less. With new cars averaging about $20,000, loans are being stretched over four to six years. By the time you truly own a car, it may not be worth a whole lot in the marketplace. It still may be worth a lot to you, however, if it gets you where you’re going and allows you to drive a car without making payments.

Leasing is also popular with people who don’t like driving older vehicles. They can always drive a new car needing relatively little maintenance and fewer repairs than most older cars. If you lease a new car every couple of years you can always drive a fairly new car. You will never escape monthly payments, but the payments will be lower than they would be if you were buying a new car every two years. This is leasing’s main attraction.
Understanding

1. Define leasing. ________________________________________________________________

2. Which is more costly – leasing or buying? Why? ______________________________________

3. Who is the owner of a leased car? ________________________________________________

4. Why is leasing so popular? (List at least three reasons.) _________________________________

5. How has the trend in leasing changed over the past ten years? __________________________

6. What does the word **promote** mean? ______________________________________________

7. Compare and contrast leasing a car with buying a car. _________________________________

Writing

**Choice A:** Summarize the reading in your own words.

**Choice B:** Have you or someone you know leased a car? If yes, write about it.

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__________________________________________________________________________________

__________________________________________________________________________________

Leasing a Car – Level 6.5