



LEASING A VEHICLE



What is a lease?

When leasing a vehicle you - the lessee - are agreeing to pay the dealership - the lessor - in return for them allowing you to use the vehicle for a certain number of months and miles. Unlike a purchase, you don't own the vehicle. Instead, you are renting a vehicle for the period of the lease and paying the dealership for the depreciation of the vehicle and interest.

What should I consider before I lease?

You are not paying to own the vehicle:

The main thing to consider is whether you are ok with making payments to lease a vehicle for a certain number of months, and at the end of the term not owning the vehicle. There is an upside and downside to this. The upside is that you don't have any risk in the future value of the vehicle. Once the lease term has ended you can turn your keys in and walk away. The downside is that if you do decide to purchase the vehicle you will likely have to take out a new loan to pay the balance.

As a very basic example:

You lease a \$20,000 vehicle for three years. Your lease payment is \$300 per month.

$\$300 \times 36 = \$10,800$ (amount you will pay during the course of the lease)

$\$20,000 - \$10,800 = \$9,200$ (amount you will have to pay at the end of the lease if you want to purchase the car)

It's similar to buying a house versus renting a house. Renting is more convenient and might cost you less than a mortgage payment, but you don't have any equity in the property and can't re-sell it to recoup the amount you've paid into it.

Mileage Limits:

A lease will generally limit the amount of miles you can drive during the course of the lease. (e.g., 10,000 miles per year). If you exceed the number of miles allotted you risk an additional fee per mile.

Breaking your Lease:

Unlike owning a car, where you can sell or trade it in, a lease typically will have fees associated with early termination. The fees could be just as costly as keeping the vehicle for the remainder of the lease term. However, as a Servicemember you may have an option to break your lease early pursuant to the Servicemembers Civil Relief Act (SCRA).

Excessive Wear and Tear:

Since you don't own the leased vehicle, a lessor will typically charge a lessee for excessive wear and tear that occurs during the term of the lease. Excessive wear and tear can include damage such as dents, rips in upholstery, stains, etc.

Can the SCRA help me break my lease?

It depends. *Generally speaking*, you can break your lease if you are deploying, PCSing from CONUS to OCONUS or if you entered into the lease prior to entering active duty. However, you will have to consider the facts and circumstances surrounding your lease and the terms of the contract. Please seek legal guidance before breaking the vehicle lease by making an appointment with our office. Bring sure to bring in a copy of your lease agreement.

Conclusion

If you have any questions or issues with your lease please schedule an appointment using the numbers below.



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