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LEASING A CAR? ASK THE RIGHT QUESTIONS, DRIVE AWAY SMILING

By Stephen Blaising

Talk in terms of lease payments and it's much easier to sell an overpriced \$20,000 piece of plastic, tin and rubber that masquerades as Detroit's answer to an automobile.

There seems to be no focus – as there is with a purchase - on the total cost of reliable transportation: the interest, the insurance, etc. There is just that “one simple monthly payment.” And you don't even own the car. At the end of the lease you just turn back the car and it's the lessor's problem.

“You should realize that leasing is “repackaging.” Like most repackaging, it involves a costly, and sometimes unnecessary, mark-up. This is true when you deal with your bank, your car dealer or any retailer.

Repackaging seldom offers anything to the consumer, except additional hidden costs. Asking these six questions will unwrap the maze of hidden costs in any retail lease.

What is the true cost of the lease?

The issue here is to arrive at a real bottom-line cost. Find out if you owe another substantial payment before the title transfers. True cost includes the monthly payment

Are there any installation costs?

Up-front costs are often added to a lease long after a discussion of the “total costs.” This is something most lessees don't notice. You'll be nagged by unexpected fees after surprising surcharge after “minor assessment,” if you don't pay attention at the outset and press for answers.

Security deposits

Oftentimes a security deposit is nothing more than a cleverly disguised non-refundable fee. Make sure you understand this provision.

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amount, the total due at the end of the lease and any possible up-front or installation costs, which leads me to the second question.

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Usually, the consumer has to pay for most maintenance in spite of what the salesman says. Bring your bidicals to check the fine print.

What is the charge for a late payment? What is the charge for use over the maximum use term? What is the cost of lease cancellations?

You need to know how strict the lessor is. Does he send “the hook” on the first day of late payment or add a larcenous charge for your tardiness. Know the pain threshold in case circumstances or habit make you dilatory.

Also, your situation may simply change in the second or third year of the lease. A transfer to Saudi Arabia, a divorce, a debilitating accident, extended travel abroad or marriage into an extended family that precludes the sports car.

Any of a number of lifestyle changes may require an early exit, or even the necessity of hanging on to that van, car or pickup truck just when you can't afford a new vehicle or commitment to another four- or five-year lease.

More often than not, it's the lessee, which means you have another substantial cost not exactly spelled out. There is the possibility that the lessor will acquire the insurance, but you are required to pay for it.

Obviously, there are still plenty of car buyers who would rather own their “wheels” from bumper to bumper, including tax, title and license. Darn the depreciation. Fall speed ahead. Here's a timely tip for these summertime shoppers and current owners.

In case you are still struggling with a multiyear loan at an unmanageable rate, several banks and credit unions around the state are refinancing auto loans as low as 7.9 percent.

Refinancing a \$10,000, four-year car loan now at a current rate of 11.9 percent in a new rate of 7.9 percent can save \$630 over the life of a loan. That's more than enough for a set

of tires and a tune-up. Most of these loans carry no upfront fees. Call your bank or credit union and check to see if they have special refinance rates. Some credit unions are not only lowering the barriers to new members, but also work closely with new car dealers for special rates or limited time sales to their members.

Leasing or buying, why make the experience trying?

Stephen N. Blaising, President of Financial Dynamics, Inc. of Dallas and a University Park resident, is a private economist, financial planner and registered investment advisor.

Who pays for routine maintenance?

Usually, the consumer has to pay for most maintenance in spite of what the salesman says. Bring your bifocals to check the fine print.

Ask these three most common charges

What is the charge for a late payment? What is the charge for use over the maximum use term? What is the cost of lease cancellation? You need to know how strict the lessor is. Does he send “the hook” on the first day of late payment or add a larcenous charge for your tardiness. Know the pain threshold in case circumstances or habit make you dilatory. Also, your situation may simply change in the second or third year of the lease: A transfer to Saudi Arabia, a divorce, a debilitating accident, extended travel abroad or marriage into an extended family that precludes the sports car. Any of a number of lifestyle changes may require an early out, or even the necessity of hanging on to that van, car or pickup truck just when you can't afford a new vehicle or commitment to another four or five-year lease.

Who's responsible for the insurance?

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Car Buyers' Footnote

Obviously, there are still plenty of car buyers who would rather own their “wheels” from bumper to bumper, including tax, title and license. Darn the depreciation. Full speed ahead. Here's a timely tip for these summertime shoppers and current owners. In case you are still struggling with a multiyear loan at an unmanageable rate, several banks and credit unions around the state are refinancing auto loans as low as 7.9 percent. Refinancing a \$10,000, four-year car loan now at a current rate of 11.9 percent to a new rate of 7.9 percent can save \$630 over the life of a loan. That's more than enough for a set of tires and a tune-up. Most of these loans carry no up-front fees. Call your bank or credit union and check to see if they have special refinance rates. Some credit unions are not only lowering the barriers to new members, but also work closely with new car dealers for special rates or limited time sales to their members.

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