Article from **Dealer Magazine** (http://www.imakenews.com/dealercomm1/e_article001609053.cfm?x=b11,0,w)

December 1, 2009

Leasing comback

by Gil Van Over

According to MSNBC last week, leasing is making a comeback. While acknowledging that the resurgence probably won't reach historical levels, leasing now comprises 20 percent of all vehicle transactions.

From the dark side's perspective, this simply means more opportunities to pursue dealers for perceived violations so that they can launch an attack. Here are the two areas where dealers are at risk of technical non-compliance.

Negative Equity

Similar to a retail transaction, negative equity should be properly disclosed on the lease agreement. The agreed upon sales price should not be increased to include the negative equity. Rather, the negative equity should be disclosed in the gross capitalized cost calculation.

Lease Starts

There are five common ways for the lease starts to be settled: Cash, trade equity, credit card, manufacturer rebate and non-cash credits. Most dealers correctly disclose the source of lease start settlements, but some dealers mistakenly disclose non-cash credits as cash. For example, on a sign and drive lease, the customer does not remit any cash. The dealer absorbs the lease starts as a non-cash credit, but discloses that the customer remitted the amount in cash. In this scenario, the dealership should disclose the settlement on the “Rebates and Non-Cash Credits” line.

Continued good luck and good selling.