

Auto Loan Versus Leasing a Car: What's Better?



Time for a new car? Your head may be swimming with the sheer amount of choices you need to make. First, you need to decide on make and model, then comes the decisions on colors, interior and other options. Finally, it's time to decide how you're going to pay for the vehicle. Somewhere along the line, you may wonder whether leasing versus buying is the way to go. Here are some considerations to help you decide.

Pros and cons of leasing

If you tend to get a new car every three years or less, leasing may be a good option. That's how long most lease terms last. It's often less expensive per month to lease than to take out an auto loan because, with leasing, you're only paying for the value of the car over those three years (not the full purchase value of the car). However, some serious setbacks can make leasing less than ideal for most people.

1. As [Consumer Reports points out](#), leasing can put you into a cycle where you never stop paying for a vehicle, and you never own your vehicle outright (which means no equity and no trade-in value).
2. Mileage fees can add up. [According to U.S. News and World Report](#), lease contracts strictly limit the number of miles you can drive (usually about 12,000 a year) before steep penalties are imposed. If you have a long commute or tend to take road trips, you can easily surpass the limit.
3. Wear and tear on the vehicle can lead to hefty charges, too. So do any costs associated with returning the car to its original condition if you make any modifications.
4. It can be difficult to lease a vehicle if you have a less-than-ideal credit score. If you are accepted, you'll likely be asked to put down a substantial down payment or security deposit, which can make leasing just as expensive upfront as buying.

Tips on taking out an auto loan

CPS IBEW FCU members have car purchasing options that can make buying instead of leasing a vehicle a smart choice. We offer preapprovals for an auto loan: Simply [apply online](#), receive a response the next

business day, and walk onto the car lot knowing how much you have to spend so you can get the most car for your money. Then, compare our low-interest [auto loans](#) that often beat both leasing and the popular [“zero percent financing” options](#) available at the car dealerships.

For members with low credit scores, the Credit Union can provide a custom plan or can point you to a quality certified used car [available through Enterprise Car Sales](#), which can be a great option for low upfront costs and monthly payments while your credit score gets back on track. Take a look at the [great inventory currently available](#).

Right now, there’s even more reason to turn to CPS IBEW FCU for an auto loan: free gas! Through February, members who sign up for a new auto loan will receive a \$50 gas card. If you plan on keeping your car for several years and want to drive it without limitations, the path to purchasing it may be easier to plot than you assumed. [Talk to us today](#) about your options!

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