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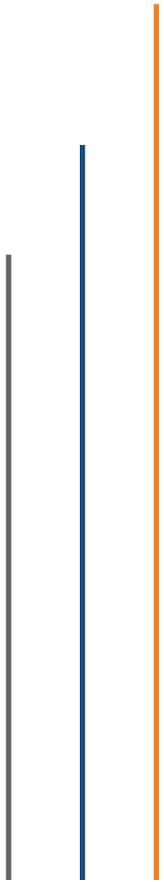


*Information Regarding  
Your Vehicle Lease*

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## *About this Booklet*

Dear Lessee,

When your vehicle lease is at the end of its term, there are a few things to keep in mind to help you prepare for what's next. AFG makes the process easy for you. This booklet provides more detailed information about your end of lease options and what to expect if you choose the "return" option.

We hope you have enjoyed your leased vehicle and that your leasing experience has exceeded your expectations. If you are in the market for another leased automobile, please consider AFG Canada in partnership with your credit union.

Please don't hesitate to contact us if you have any questions about the process. You will find contact information at the end of the booklet.

Best regards,  
The AFG Team



## *What's Inside*

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# *Your Lease End Options*

## **PURCHASE**

Your AFG Canada Vehicle Lease Agreement contains provisions for your to purchase the vehicle. AFG Canada will be happy to review this option with you and provide you with the full pay off balance. Vehicles paid off in cash or refinanced with a conventional loan are not subject to over kilometers and/or excess wear and tear charges.

## **TRADE IN**

A trade-in means the dealer is purchasing the vehicle from the credit union. A dealer making your remaining payments is not purchasing the vehicle, and therefore it is not considered a trade-in but is a turn-in, which means you remain responsible for the vehicle and all remaining lease obligations. You should receive documentation from the dealer that the vehicle was traded and that they will be paying off your lease balance with your credit union. It is important to note that should you choose this option, you are responsible for completing your lease pay off obligation at the credit union even though the dealer will be doing this on your behalf, and to inform AFG Canada that you have traded in the vehicle.





# *Your Lease End Options*

## **RETURN OPTION**

Want to surrender the vehicle at lease maturity? Returning the vehicle to AFG Canada is as simple as letting AFG complete a complimentary, but required, vehicle inspection. To ensure a smooth and efficient turn-in process, we strongly recommend that you work closely with your AFG Lease Specialist. They can guide you through the steps necessary to avoid many of the possible surprises and costs associated with returning the vehicle. Your AFG Vehicle Lease Agreement provides for charges that you may be responsible for when you return the car, for example, excess wear and use charges. The lease agreement also provides for possible charges in the event of excess kilometers and costs to restore the normal wholesale value of the vehicle in the event of damage and neglect. By identifying your turn-in costs early in the process, you allow yourself the opportunity to make decisions that could save you money. For these reasons you will be asked to have the vehicle inspected 60 days prior to your termination date. Your AFG Lease specialist is here to help.





## *Your Responsibilities*

- You are the lessee of the vehicle and are responsible for keeping the vehicle insured, serviced, repaired, and maintained in accordance with the manufacturer's recommendations.
- Per your lease contract (page 3), if the vehicle has suffered frame/unibody damage, inoperative or damaged odometer or substantial other damage, the value of the vehicle may be lower than the same vehicle that has not suffered such damage.
  - You may be responsible for a portion of this diminished value at lease end, even though the damage has been repaired.
  - Check your repair orders—if the vehicle has had any frame/unibody or odometer repair, your return options may be expensive if the cost of repair exceeds \$2,000.
  - Once you return the vehicle, you have relinquished your rights to it and you will pay this diminished value. It is best to review your purchase and return options before you return the vehicle.





## *End of Lease Process and Timeline*

### **END OF LEASE CALL**

Please make sure that you keep this pamphlet and the Vehicle Inspection Template in a safe and easily accessible place. We recommend the glove compartment of the leased vehicle itself. Having these items available during the lease-end process will answer many questions that you might have.

Approximately 6 months before your lease matures, your AFG Lease Specialist will call to remind you of your lease maturity date approaching. This is a good time to decide which option works best for you.

If you choose to return the vehicle and not purchase it, an AFG Lease Specialist will assist you with the inspection process, any additional charges related to disposition fees (where applicable), excess kilometers, wear and tear and the turn-in process.

An AFG Lease Specialist will work with you to schedule a location and time for you to return the vehicle.

### **INSPECTION CALL**

Approximately 30 days prior to your maturity date, an Inspection Representative will contact you and schedule an appointment for the vehicle inspection at your convenience.





## *Vehicle Inspection Process*

So that the end of lease costs can be properly determined, AFG Canada and your credit union require you to submit the vehicle to an inspection process. AFG has contracted with an independent vehicle inspection service to perform this service at no cost to you.

The inspection service will call you to coordinate and schedule your inspection at a time and place convenient to you, but not later than 30 days prior to the end of the lease. This allows you time to evaluate options available to you based upon the results of the inspection. For example, you may want to have the vehicle repaired prior to turning it in or you may decide that you would rather purchase the vehicle than pay for the necessary repairs. All that we ask is that you have the car washed so that the inspector can review clean surfaces on the car.

We strongly encourage you to be present at the inspection. By being present at the inspection you will receive a copy of the report from the inspector within 48 hours.

Please note that the inspector will document all discrepancies observed during the inspection. It is likely that you will not be charged for all the items listed in the report.

After the inspection has been completed, your AFG Lease Specialist will receive the inspection report and review it with you along with your options. The vehicle must be inspected prior to you turning it in.



# *Vehicle Inspection Process*

## INSPECTED ITEMS

Your inspector will test drive the vehicle and be looking for the following:

- Inoperative mechanical parts including power accessories
- Dents, scratches, chips, or rusted areas on the body (including truckbeds)
- Mismatched paint or any mark left by special identification
- Cracks, scratches, pits or chips in the windshield
- Broken windows or inoperative window mechanisms
- Broken headlight lenses or sealed beams
- Bumper dents or scratches through the chrome, paint or plastic
- Broken grills or dents in the grills
- Dents on other trim parts, including headlight and taillight bezels
- Seats, seat belts, headlining, door panels or carpeting which are torn, damaged, stained or burned
- Mismatched tires or tires with less than 1/8 inch of tread—including spare
- Cuts or damage of any kind to any of the tires
- Scratches, peeling, dents, gouges, corrosion or rust on rims/wheels
- Missing parts, accessories and adornments, including bumpers, ornaments, aerials, hubcaps, chrome stripping, rear view mirrors, radio and stereo components and spare tire.



# *Vehicle Inspection Process*

- Vehicle Identification number and odometer reading and operation
- Fluid levels
- Stickers
- Vehicle modifications such as lift kits, lowered vehicles, exhaust systems

## **You Will Be Asked These Questions by Your AFG Lease Specialist**

- Have you maintained the vehicle in accordance with the requirements of the manufacturer?
- Has the vehicle been in an accident?
- Has the vehicle been repainted?
- Is there anything mechanically wrong with the vehicle?
- Are there any broken or non-operating devices on the vehicle?





## *Kilometers, Wear and Tear*

AFG Canada does not expect the vehicle to be in the exact condition it was in when you first leased it. Reasonable wear and tear is expected. The criteria for reasonable wear and tear depends on the length of your lease. Usually, the shorter the lease, the better condition the car is expected to be in.

*Kilometers:* Refer to your AFG Canada Vehicle Lease Agreement for the amount of km's authorized and the charges for exceeding allowed kilometers.

*Wear & Tear:* According to your lease agreement, you can be charged for any item that will detract from the vehicle's wholesale value. The most common items of repair or replacement are listed for you in your lease agreement as well as on page 9 (Inspected Items) of this pamphlet. To assist you in identifying some of these items, a Vehicle Inspection Template has been included in the following pages.





# Vehicle Inspection Template

This template is a guide for possible wear and tear assessment. It does not list all vehicle areas of assessment. Please refer to the back of your lease agreement for the details of your wear and tear obligations.

**Dents:** Chargeable as follows

- More than 2 dents per panel
- More than 6 dents on the vehicle
- Any damage larger than 1" in diameter

**Scratches:** Any scratches that break the paint (including truck beds).

Chargeable as follows

More than 2 scratches of any size on the vehicle

Any scratch greater than 5 inches in length

**Paint:** General Guidelines – Chargeable as follows

- More than 7 paint chips per panel or 15 paint chips in total
- Fading, staining or oxidization of the exterior paint
- Mismatched paint or body repairs which exhibit cracks, ripples, visible Bondo repair, inadequate straightening or substandard repair

**Chrome:** Chargeable as follows

- Any dent or scratch to the chrome anywhere on the Vehicle

**Rust:** Chargeable as follows

- Any rusted areas on the vehicle including wheels

Refer to your Lease Agreement or Vehicle Inspection brochure for additional details. This guide does not list every possible chargeable item. Talk to your AFG Lease Specialist for more information.



# Vehicle Inspection Template

**Windshield:** All windshield cracks, stars and bullseyes.

Chargeable as follows

- Damage larger than a dime requires windshield replacement
- Damage smaller than a dime will be charged for repair (one repair per windshield)
- Other broken or cracked glass is chargeable

## **Tires & Wheels:**

- A matching set of 4 wheels or wheel covers, 4 tires plus a spare (which may be a "donut") comparable in design and quality to those initially delivered with the Vehicle. If not, these are chargeable items
- Less than 1/8" of tread at lowest points requires tire replacement
- Cuts or damage of any kind to any of the tires is chargeable
- Scratches, peeling, dents, gouges or rust on wheels, rims, or wheel covers is chargeable

## **Interior:**

- Upholstery, carpet, headliner and other fabric or leather surfaces that have tears, rips, burns, stains or odors are chargeable
- Make sure the following items are clean and in good working condition prior to your inspection: \*
  - Seat cushions, upholstery carpets and floor mats
  - All seats (reclining and non-reclining)
  - Stereo (radio/cassette/CD player)
  - Automatic restrain systems (seat belts)
  - Tilt steering wheel
  - Trunk
  - Airbags

If you have any repair items that would be covered under warranty or your vehicle insurance please have them repaired prior to your inspection

\*This is not a complete list and is provided to show some of the areas inspectors will check



## *Frequently Asked Questions*

### **Why am I being contacted by AFG Canada?**

AFG Canada is the lessor, or owner, of the vehicle. The credit union is the lender, or the lien holder, of the vehicle until such time as all your lease payments have been made. Since AFG Canada is responsible for the vehicle at lease-end, our Lease Specialists will be in touch with you to guide you through your options as your lease approaches its end. You may also contact us at 1-877-354-4234 Option #2, text us at 877-240-4099 or email [usatcaleaseoptions@afgcanada.ca](mailto:usatcaleaseoptions@afgcanada.ca).

### **I want to purchase the vehicle at lease-end. What price will I pay and what is the process?**

Your lease agreement specifies the terms under which you may purchase the vehicle. The purchase price includes a purchase option fee, the outstanding principal balance, accrued interest, any applicable late charges, and any fees or taxes imposed by the transaction. Contact AFG Canada for the payoff amount.

### **My lease agreement shows a disposition fee. What is a disposition fee and can it be waived?**

In accordance with your lease agreement, a disposition fee is charged at the end of your lease if you do not purchase the vehicle. The fee cannot be waived.



## *Frequently Asked Questions*

### **What is excessive wear and use (wear and tear)?**

When you signed your lease agreement, you agreed to maintain the vehicle in accordance with the requirements set by the manufacturer. AFG Canada does not expect the vehicle to be in the exact condition it was in when you first leased it. Reasonable wear and tear is expected. Refer to page 11 (Kilometers, Wear and Tear) for more information on charges that might be imposed for excessive wear and tear.

### **Can I pay for the excess kilometers and excess wear and use charges over time?**

Please contact your credit union to discuss your options.

### **Who do I talk to if I do not agree with an item or the repair costs on my final bill?**

AFG Canada and your credit union want your leasing experience to be a positive one. Your AFG Lease Specialist will work with you to ensure that you thoroughly understand your bill and resolve your questions.

### **If I have not driven my allotted km's, can I get a refund?**

No. It is important to structure your lease for the number of km's you will drive throughout the lease term so you will not owe money for excessive kilometers or feel disappointed for not using all of your kilometers.



## *Frequently Asked Questions*

### **At what point can I drop the vehicle from my insurance policy?**

When AFG Canada has accepted delivery of the vehicle from you, you can drop your insurance coverage on the vehicle. In order for AFG to accept delivery of the vehicle, our vehicle inspection must be complete and results provided to you, all monthly payments must be posted by your credit union, you will have delivered the vehicle to the location specified by your AFG Lease Specialist, and you will have completed and returned our vehicle turn in receipt.

### **Why do I have to make the remaining payments if I turn in the vehicle early?**

When you signed your lease agreement you agreed to pay your credit union a specific number of monthly payments. Returning the vehicle early does not relieve you of this obligation.

### **I am ready to return my vehicle, where do I return it and when?**

After the vehicle has been inspected and all payments made, you may return the vehicle to the place specified by your AFG End of Lease Specialist. The vehicle must be turned in by your termination date.



## *Checklist for Returning a Leased Vehicle*

### Before Turn-in:

- Vehicle will be inspected
- Inspection results reviewed with you
- You will have made all lease payments
- Check with Credit Union on status of payments
- Remove personal belongings from vehicle

### At Turn-in:

- Provide all Keys and keyless entry remotes
- Complete Vehicle turn in receipt and Federal Odometer Disclosure Statement
- Both you and the transporter must sign this receipt
- Email receipt to AFG Lease Specialist on day of turn in
- If unable to send on day of turn in please call us with your odometer reading and mail the receipt to us. The vehicle is not considered turned in until we have the receipt back.

For information about your lease call 1-877-354-4234 Option #2, text us at 877-240-4099 or email us at [caleaseoptions@afgcanada.ca](mailto:caleaseoptions@afgcanada.ca).



## *Customer Relations Contact*

A Lease Specialist can assist you with vehicle inquiries, lease options, and any other end of lease inquiries.

Moving? Changing your phone number?

To update your contact information, please also get in touch with customer relations.

phone: 1-877-354-4234 Option #2  
text: 877-240-4099  
email: [caleaseoptions@afgcanada.ca](mailto:caleaseoptions@afgcanada.ca)  
web: [www.afgcanada.ca](http://www.afgcanada.ca)





## *Glossary of Terms*

**Acquisition Fee** – The lessor fee, which is charged to the lessee and is typically included in the gross capitalized cost. This is commonly referred to as the “bank” fee.

**Additional Insured** – This is a designation on the insurance policy. The Credit Union must be named as additional insured in order to receive notification when changes to the policy are made.

**Adjusted Capitalized Cost** – The amount financed.

**Agreed Upon Value (Cash Value)** – Base cost of the vehicle prior to adding other items to be financed. (fees, luxury tax, warranty, credit life and disability, and negative trade equity.)

**Base Monthly Payment** – This is comprised of the monthly lease charge and the monthly principal reduction (it’s like principal and interest).

**Capitalized (Cap) Cost** – This is the total price of the vehicle—in effect, its purchase price. In theory, the cap cost should equal the amount you would pay if you were purchasing the vehicle. The capitalized cost is the price the dealer actually receives for the vehicle.

**Capitalized (Cap) Cost Reduction** – This is leasing terminology for a cash down payment, money you pay up front that is applied to the final purchase price. A large cap cost reduction will reduce the monthly payments.

**Closed and Open End Leases** – Most leases offered today are closed-end leases, meaning that the residual value is fixed and stated in the lease contract (the stated residual value). The lessee’s financial



## *Glossary of Terms*

obligations are unaffected by what the vehicle is actually worth when the lease ends. In other words, the lessee assumes no risk for the depreciation of the vehicle. With an open-end lease, there is a residual value set at the beginning of the lease. However, if the car is worth less than the residual value at the lease's end, the lessee must pay the difference. In other words, the lessee assumes the risk for depreciation below the residual value with an open-end lease.

**Collision Deductible** – This is the deductible the lessee will have to pay in the event of a collision loss.

**Comprehensive Deductible** – This is the deductible the lessee will have to pay in the event of a loss other than a collision.

**Contingent Liability/Contingent Physical Damage** – This is a policy in which the credit union is listed through AFG Canada that will pay losses that are in excess of the lessee's primary insurance coverage.

**Covered Loss** – A residual value loss covered by insurance.

**Dealer Participation** – Dealer participation is the amount over the buy rate that the lender allows the dealer to mark-up the rate. Dealer participation can also be defined as a rate commission. Examples of a rate commission could be 1% or 2% of the rate increased from Credit Union to lease contract.

**Depreciation** – The amount by which property loses its value. In automobile leasing, depreciation is the difference between the new car cost and the value of the car at the end of the lease.



## *Glossary of Terms*

**Disposition Fee** – This is a fee paid at the end of the lease, to the lessor, that covers the lessor’s cost of getting the vehicle ready for sale.

**Down Payment** – See capitalized cost reduction.

**GAP Insurance** – Guaranteed Automobile Payoff. In the event of a total loss, GAP can pay the difference between the lessee’s insurance fair market-value settlement and actual payoff.

**Hard Adds** – Dealer installed equipment that adds value to the vehicle and also increases the MSRP. Equipment such as a bed liner and alloy wheels are “hard adds”. This equipment is added to the MSRP prior to calculating the residual value.

**Insurance Verification Form (IVF)** – Document used during the pre-funding lease audit. The IVF is filled out at the dealership and signed by the individual who verifies lessee insurance. It is included in the scanned lease package sent to the AFG Canada.

**Lease Term** – The duration of the lease.

**Lease Audit Worksheet** – Used by credit union processor to audit the lease prior to funding.

**Lessee** – An individual who is leasing a vehicle. The lessee leases the vehicle from the lessor, and the loan amount is financed through the lender, or lienholder.

**Lessor** – The registered owner of the vehicle.

**Lien holder** – The lender who finances the loan.



## *Glossary of Terms*

**Loss Payee** – This is a designation on the insurance policy. The credit union may be named as loss payee in order to receive funds in the event of a loss.

**Kilometers at Inception Adjustment** – Information generated from the AFG Canada Residual Website that expresses a kilometer adjustment to the residual value of the used vehicle.

**Kilometer Allowance** – Lease agreements usually establish the average kilometers per year that the car may be driven during the lease. This is often between 18,000 and 24,000 kilometers. The lease contract also establishes the amount required for every kilometer driven over the allowance.

**Kilometers: Excess Adjustment** – Adjustment is calculated at AFG Canada’s Residual Website and expresses a kilometer adjustment on a used vehicle lease if the lessee purchases “excess” kilometers at lease inception.

**Maximum Advance, New Vehicles** – Maximum Advance % of MSRP.

**Maximum Advance, Used Vehicles** – The maximum amount that can be funded equals Maximum Advance % x AFG Canada Retail

**Money Factor** – The most common way to express the base interest rate of a lease is as a money factor. Multiply a money factor by 24 (or 2400, depending on how the money factor is expressed), and the result will be approximately equivalent to the base interest rate. A dealer’s sales staff knows the money factor of most leases. The money



# *Glossary of Terms*

factor is the cost of money, just like an interest rate. However, money factors are used almost exclusively in leases.

**MSRP** – Manufacturer Suggested Retail Price.

**Odometer, Delivery and Acceptance Form (ODA)** – Accompanies and amends the lease agreement to qualify the lease as “used.” Both the lessee and the dealer must sign this form in order for it to be accepted by the residual and GAP guarantor. The UVL processor at the credit union uses this form to validate the lease in Seamless.

**Options** – Equipment that may or may not exist on a used vehicle. These are listed on the ODA and noted at AFG Canada’s Residual Website.

**Property Damage Coverage** – Insurance that covers the lessee in the event of loss or damage to the property other than the vehicle.

**Public Liability Coverage** – Insurance that covers the lessee in the event of a loss where an injury takes place.

**Purchase Option** – Most closed-end leases grant the lessee an option to purchase the vehicle at the end of the lease. The end-of-lease purchase price is often referred to as the residual value.

**Residual Value** – The estimated future value of a vehicle. The residual is set by the lessor company, who also guarantees the residual value.

**Residual Value Insurance (RVI)** – Insurance that guarantees the contract residual on a leased vehicle which goes full term.



## *Glossary of Terms*

**Residual Shortfund** – Amount shortfunded to the dealer by the credit union at the time a lease is funded. This dollar amount is a result of a residual value that is too high. The amount shortfunded is nonrefundable to the dealer and is placed in a trust deposit account.

**Soft Adds** – Additional costs that do not increase the MSRP of the vehicle. Mechanical breakdown insurance is an example of a soft add.

**Subvented (Subsidized) Lease** – A subvented lease is a special lease offered by manufacturers with special incentives to make it more attractive. These special incentives often take the form of a lower base interest rate, higher residual values, and manufacturer discounts. In many cases, a subvented lease will have a lower net interest rate than other leases. Subvented leases are usually available for a limited time and the terms are not negotiable.

**Uncovered Loss** – Residual value loss not covered by insurance.

**Wear and Tear** – It's the lessee's responsibility to keep the car in good condition. If the lessee returns the car with a dented fender, bald tires, or a ruined engine because of lack of routine maintenance, they'll be charged for the repairs. Normal wear and tear is allowed. Some lease agreements include a wear and tear waiver, which allows a portion of the wear and tear charges to be waived.

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