

Lease Volume Down Another 20% in 2003

For Immediate Release

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The Association of Consumer Vehicle Lessors announced today that member leasing companies reported a total reduction in new leases from 2.0 million in 2002 to 1.6 million in 2003. This 19.8% volume decline shows the continued effect of high cash rebates and interest rate subsidies, combined with longer loan terms. These manufacturer programs have created attractively low monthly loan payments and induced some consumers to finance rather than lease their new vehicles. Since the peak of leasing in 1999, leasing volume has fallen more than 50% from 3.4 million new leases to 1.6 million new leases in 2003.

The 2003 decline hit ACVL captives a little harder than banks: captive total leases were down 20.5% while bank leases were down 16.3%. The decline was much more dramatic for large lessors than smaller ones: large lessor lease volume dropped 21.5% compared to 6.0% for medium lessors. For both the bank and captive lessors, the volume of the larger members declined more than smaller ones such that the *average* (unweighted) volume decline was 14.9% for captives and 6.4% for banks.

“There were a number of factors contributing to lower lease volumes,” explained Rob Mize, ACVL President, “including the expansion of the 0% retail installment programs and other similar manufacturer installment sale promotions, continued declines in residual values (causing higher monthly lease payments making leasing less competitive compared to financing), and fewer manufacturer subvented lease programs. However, those trends appear to be abating in 2004 so lease volume may climb this year.”

ACVL members also reported that their end-of-term residual losses decreased somewhat in 2003. Residual losses declined to \$2,909 in 2003 from a weighted average of \$3,269 in 2002, an 11% decrease. While the declining residual loss level was a welcome development for lessors, consumers who had leased their vehicles continued to reap substantial benefit by having lessors absorb these used car market losses. While it appears that residual losses will fall dramatically during 2004 and over the following years, leasing still protects consumers from unexpected declines in trade-in values. Consumers have come to appreciate the protection that leasing affords them from excess depreciation.

The ACVL survey highlights a number of areas in which bank and captive vehicle leasing programs differ. For example, the average lease term of bank lessors was 51.4 months in 2003, compared to 38.6 months for captive lessors. This is the largest difference in the 11 years for which lease data has been compiled by the association. Additionally, on an unweighted basis, more than 20% of new bank leases were longer than 60 months.

“Now more than ever, it’s important that consumers be informed about the benefits and responsibilities of leasing before they decide whether to lease or buy,” said Mize. “The ACVL web site has a Lease vs. Buy Quiz which has received very positive feedback from customers looking for assistance on that decision,” notes Mr. Bernard de Souza, ACVL Customer Service Committee Chairman.

“A major part of our mission at ACVL is to provide consumers with the information they need to make informed decisions. Our Web site – www.acvl.com - is a good place to start for those who want to consider leasing among their options,” noted Mize.

ACVL has conducted its annual member lease survey since 1993. ACVL members account for an estimated 80% of all consumer vehicle leasing in the U.S. The Survey is available for \$395 + shipping, contact Lisa Davis, 615-467-1900, email Ldavis@banklease.com. The Table of Contents may be obtained by request to Ldavis@banklease.com.

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