

Vehicle Acquisitions: Leasing or Financing?

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Abstract

In this study, we investigate household vehicle leasing versus financing behavior using the Interview Survey Portions of the 2001 Consumer Expenditure Survey. Two research questions are addressed in this study: (1) What are the demographics of those who lease as opposed to those who finance, and (2) What are the major factors affecting a consumer's probability of leasing versus financing when acquiring vehicles? Findings show that among income and demographic characteristics, being older, Caucasian or Hispanic, college educated, living in urban Northeast and Midwest, living in large Metropolitan Statistical Areas (MSAs), not having teenagers in the family, and having a higher income increase a consumer's probability to lease a vehicle. Most of these income and demographic effects either become smaller or disappear after the vehicle characteristics are controlled for. Among vehicle characteristics, being newer, Japanese or European made, luxury brand, with more cylinders, with power brakes, sunroof, and four-wheel drive increase the probability of leasing. Purchasing the vehicle new instead of used, having a lower down payment and monthly payments, and having a smaller number of contracted payments also increase the probability of leasing.

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