COLORADO LEMON LAWS AND VEHICLE LEASES

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COLORADO'S LEMON LAWS

What protections does Colorado Law provide me if I purchase a defective automobile?

Colorado Revised Statutes §§ 42-10-101 thru 42-10-107 provide protections to consumers who purchase a defective vehicle. To qualify as a consumer under these "lemon laws" you must have purchased the car for either your or your family's personal use or you must otherwise be entitled to enforce the warranty. Additionally, these statutes only apply to vehicles which transport less than 10 people and have been sold to someone in Colorado. These laws are also based on the warranty for the vehicle, which must be written by the manufacturer.

Pursuant to § 42-10-102, when you buy a new car any problems with that car must be reported to the dealer, manufacturer, or agent within either the warranty term or one year after the purchase of the vehicle, whichever is sooner. If you do report a defect to someone other than the manufacturer, make sure that the manufacturer still gets written notice sent by certified mail. If you properly report the defect, any one of the above named individuals/entities is required to make repairs to the car so that it conforms to the terms of the warranty.

What if the dealer, manufacturer, or agent is continually unable to fix the defect in my automobile?

Colorado Revised Statute § 42-10-103 provides that the dealer, manufacturer, or agent has four tries during one year of the warranty of the year after purchase, whichever comes first, to correct the defect. If either the 4 attempts are unsuccessful or the vehicle is not usable for a total of 30 or more business days during the same time period, the manufacturer can do one of three things: (1) choose to replace the vehicle with a similar vehicle, or (2) accept the return of the vehicle and refund the full purchase price including taxes and fees, to the purchaser and the lien holder (if there is one).

What defenses are available to manufacturers under these laws?

In accordance with § 42-10-104, a manufacturer may argue that the defect does not substantially impair the value or use of the vehicle, that the problem was caused by abuse/neglect or unauthorized modifications by the consumer. Therefore, if you personally damage the vehicle by failing to maintain it, harming it, or modifying it, this may prevent you from claiming protection under these statutes.

Do I have to bring claim under these statutes within a certain amount of time?

Yes. § 42-10-107 states that if you want to bring a claim to enforce your rights under these lemon law statutes, you must file a lawsuit within 6 months from either the expiration of the warranty or 1 year after purchase of the vehicle, whichever comes first.

LEASING A VEHICLE

What's different between close-ended and open-ended leases?

In a close-ended lease, you return the car at the end of the lease and walk away, but you're still usually responsible for certain end-of-lease charges, such as excess mileage, wear and tear, and disposition. Because the dealer is taking the risk as to the value of the vehicle at the end of the lease, your monthly payments will usually be higher.

In an open-ended lease, your monthly payments may be lower, but there is a risk that the vehicle's value at the end of the lease will be less than that stated in the lease. This specified value amount is known as the "estimate residual value." When the vehicle is returned, the customer pays the difference between the value stated in the contract and the lessor's appraised value of the vehicle.

What are lease inception fees and what is capitalized cost?

Lease inception fees are payments that must be made when the lease starts, and may include a down payment, security deposit, acquisition fee, first month's payment, taxes, and title fees.

Capitalized cost is the price of the car for leasing purposed plus taxes and extra charges like service contracts and registration fees. If a dealer offers you a "capitalized cost reduction" option, this is similar to a down payment or trade-in because it will be used to reduce your monthly payments over the term of the lease.

What are some other vehicle leasing tips?

- Ask upfront whether extra charges will be excessed for excessive mileage, wear and tear, disposition, and early termination. Most leases allow you to drive between 10,000 – 15,000 miles per year. If you put on more miles, expect a charge of 10 to 25 cents extra per mile.
- Make sure the manufacturer's warranty covers the entire lease term and the miles you'll likely drive.
- Consider gap insurance to cover the difference between what is owed on the lease and what the car is worth if stolen or totaled.
- You have additional rights under SCRA. For example, if you get orders outside of the continental United States for 180 days or greater while in a lease agreement, the car company may be required to allow you to end the lease without all of the fees.

Sources:
C.R.S. §§ 42-10-101, et. seq.
http://www.federalreserve.gov/pubs/leasing/
http://www.leaseguide.com/lease06/

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