



The Credit Union Lease

Program Policies

January 2026

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Dealer Program Policy

The following are the generic policies disclosed to the dealer regarding the CULA lease program. Please note, individual Financial Institution policies may vary. Please refer to the Financial Institution rate sheet or contact the Financial Institution directly.

CULA Residual Web

CULA Residual Web, the credit union source for residual values, will be updated every 2 months (January-February, March-April, May-June, July-August, September-October and November-December). Each two-month set of residuals is referred to as an “edition.” The CULA Residual Web Edition will take effect the first day of the first month. For example: The March-April guide will be in force on March 1st. The residual calculator found at CULA Residual Web will default to the current edition. Two editions will be available via the residual calculator at all times; the current edition and the previous edition i.e. January-February and March-April.

Please note: When a CULA Residual Web edition is pending, please quote lease payments to the lessee(s) for both the current and the new editions. For example: Lease figures may be quoted on February 25th from the January-February edition, but if the lessee does not sign the Lease Agreement and take delivery until March 2nd, then the correct residual to be used will be located in the March-April edition. **The dealer must use the correct CULA residual value for the date the lease agreement was signed, not the month in which the lease was approved and/or funded.**

Mid-book Residual Values

During a residual value edition cycle (every two months) CULA publishes additional residuals or revised residuals at the *CULA Residual Website*. CULA is under NO obligation to accept a vehicle lease agreement, if the lease is written without a prior published residual value.

Base Money Factor

The lease rate factor may change from time to time and will be published separately. Dealers will be notified in writing by the Credit Union of any money factor changes.

Security Deposit

None required.

Maximum MSRP

Maximum MSRP for all vehicles is \$150,000. This MSRP would be inclusive of all Discount Packages.

Residual Value Calculations

RESIDUAL VALUE IS DETERMINED BY USING THE LOWER OF MSRP OR MRM. If using the CULA residual website, you will see the following message if the MSRP amount entered exceeds MRM.

- MSRP Value must be < or = to the MRM displayed to the left
- Must enter a numeric value for MSRP that is not greater than MRM

The formula for computing residual values is as follows:

MSRP
+ Discount Value Packages
x % from CULA Residual Web
= Residual Value

CULA will not accept modified or converted vehicles, and only certain approved non-invoiced dealer installed options that do not require body or frame modification will be accepted. Examples of approved options include clear mask, factory cross bars, factory mud guards, factory floor mats, factory bedliners and factory running boards. **No dealer installed option may be residualized.**

If the leased vehicle has a discount package, a copy of the window sticker should be included with the package for funding to show the retail value of that package. If the window sticker is not available, the following replacements will be accepted to document the MSRP value of the Discount Package:

Invoice (if it details MSRP values of discount packages)

Like MSRP plus invoice – if the invoice does **not** detail the MSRP values of a discount package and the original MSRP (window sticker) is **not** available, then the invoice **plus** a “like” MSRP that **does** detail the MSRP values of the discount package will be accepted.

Advance shipper

Pages from manufacturer’s order guides that detail discount package equipment and pricing

A photocopied page of the Kelley New Car Manual detailing discount package equipment and pricing

Printout from PC Carbook detailing discount package equipment, invoice, and MSRP pricing

Failure to include one of the above items will result in receiving credit for the wholesale value of the discount package shown on the vehicle invoice.

A negative credit on an invoice or window sticker may not be added to the MSRP.

Please also note whether there are any deductions such as: manual transmission, no air conditioning, etc. The credit union does not guarantee the accuracy or validity of leasing subscriber services such as Lease Link, Lease Prophet, Lease Quote, etc. Only the most current residuals listed on CULA Residual Web are to be used in calculating the residual value. When using the calculator feature on CULA Residual Web, the calculator will compute the deduction for manual transmission or no a/c only when the appropriate box available and selected.

Residual values that are used to contract new vehicle leases should be determined from the use of CULA Residual Web only. CULA does not guarantee residual value information provided by third party sources.

Gas Guzzler Tax

CULA does not allow for federal Gas Guzzler Tax to be included in the MSRP when calculating a residual value or maximum funding. The dollar value of the tax is listed as a line item on the vehicle invoice and vehicle MSRP. As a result, this amount must be deducted from the MSRP total before applying the residual percentage.

Incorrect Residual Values

Lease packages received for funding with incorrect residual values will not be funded. The credit union will contact the originating dealer to review the options. The options are as follows:

- 1) The package will be returned to the originating dealer for correction or to be re-contracted, or;
- 2) The originating dealer can accept a shortfund for the difference between the correct residual value and that used on the lease agreement. Lease files with shortfunds greater than \$1000 (for new vehicles, \$500 for used) will be allowed on a case-by-case basis.

Minimum Residual Value

The Minimum Residual Value is 10% of the Residual MSRP. The Residual MSRP = MSRP + Discount Package(s).

New Previous Year Model

A new previous year model vehicle that has never been registered is treated as used for residual setting purposes. Please use CULA's residual website to calculate the Residual Value. A copy of the 2-page printout from the website must be included in the package submitted for funding. The maximum adjusted cap cost (or funding amount) is based on NADA Retail, please see Lender's rate sheet for maximum percentage. The maximum cap cost will be inclusive of everything to be included in the lease (acquisition fee, tax, title, license, warranty). **Dealer installed options will not be residualized.**

Maximum Cap Cost

The maximum Gross Capitalized Cost is \$150,000. The Net or Adjusted Cap Cost cannot exceed the maximum percentage per the Lender's rate sheet of the residual MSRP. Acquisition

fee, warranty, soft adds, prior lease balance, and anything else must be included in the cap cost of the vehicle for payment calculations.

If the lease package received by the credit union shows that the net or adjusted cap cost exceeds the lender's maximum percentage of the residual MSRP, the lease will not be funded. The credit union will contact the originating dealer to review the options. The options are as follows:

- 1) The lease package will be returned to the originating dealer for correction or to be re-contracted, or;
- 2) The originating dealer can accept a shortfund for the difference between the maximum percentage of the residual MSRP and the Adjusted Capitalized Cost.

GAP

GAP is included on all vehicle lease agreements; therefore, the dealer should not sell an additional GAP policy or reflect an additional GAP policy on the CULA contract. The lessee is still responsible for the following items:

- Any past due payments
- Excess mileage
- Excess wear and tear
- Unpaid late charges or other charges
- Their insurance deductible
- Service contract refunds

Minimum Lease Term Depreciation

There must be at least \$100 minimum depreciation (principal reduction) over the term of the lease.

EXAMPLE: If you have a residual of \$10,000, the minimum Net Cap Cost allowable is \$10,100; thus, creating your minimum \$100 of depreciation over the term.

Origination Lessor

The originating dealer is the lessor listed on the lease agreement. The dealer will remain lessor until the lease is funded by the credit union. Because of this, it is in the best interest of the dealer to ensure proper disclosure to the lessee(s) of all facets of the lease transaction. Information listed on the lease agreement, especially the financial terms, needs to be accurate. The credit union will return lease packages containing inaccurate financial disclosures to the originating dealer for correction. This is also true of the insurance verification process detailed in another section of this guide. As the originating lessor, it is also in the best interest of the dealer to follow the insurance verification process to limit any risks to the dealer and ensure prompt funding and processing at the credit union.

Payment to Dealer

The first payment and the acquisition fee will be deducted from the lease proceeds paid the dealer. The license and registration fee are to be paid by the dealer to the proper governmental authority. Sales tax on amounts due at lease signing is either paid by the dealer, or by CULA. For a complete list, please refer to the paragraph on **Sales Tax** in this manual.

Purchasing Routines

If a pending lease has not been purchased 15 days before the due date of the second monthly payment (first monthly payment paid in drive-offs), it is the credit union's practice to deduct that payment from the dealer's proceeds when the lease is purchased.

Sales Tax

The dealer collects sales tax at lease origination on fees paid at lease signing. This occurs on a variety of items such as:

- Cap Cost Reductions
- Documentation fees
- Special state-specific fees
- The first monthly lease payment

This sales tax is then remitted to the state. The dealer is responsible to remit sales tax on all money collected at lease signing. ***However, business practices vary by state and CULA will make an effort to follow general business rules regarding sales tax remittance on a case-by-case basis.***

Simple Interest Lease Contract

This lease agreement is unique to the industry. A money factor is used when computing the payments to complete a lease agreement. Upon receipt of a lease agreement for funding, the money factor is converted to a simple interest rate. Therefore, the lease is amortized on a 365-day daily interest simple interest basis, like a simple interest loan. The lessee has a principal declining balance every month. The leased vehicle may be purchased at any time for the principal balance plus a purchase option fee, plus any accrued interest.

Allowable Mileage

The residual values established on CULA Residual Web are for new, previously unregistered vehicles based on annual mileage of 15,000.

Low Mileage Lease Program

15,000 annual mileage leases are published CULA Residual Web. Low mileage lease enhancements are found in the charts below based on 5,000, 7,500, 10,000 and 12,000 miles per year.

	Term and RV Adjustment Relative to 15k							
Mileage Band	24	30	36	39	42	48	54	60
15k	0	0	0	0	0	0	0	0
12k	1	1	2	2	2	2	2	2
10k	2	2	3	3	3	3	3	3
7.5k	4	4	5	5	5	5	5	5
5k	5	5	6	6	6	6	6	6

When you use the calculator feature on CULA Residual Web the low mileage lease enhancement is calculated for you when you select the 5,000, 7,500, 10,000 or 12,000 annual miles from the drop-down mileage menu.

Excess Mileage at Inception and Upfront Annual Excess Mileage

When using the CULA Residual Web Calculator all of the described value changes below for both new and used vehicles will be reflected in the adjusted residual value and be listed separately in the “Residual Information” section.

New Vehicles

Excess Mileage at Inception – If a new vehicle’s current mileage exceeds 500, the residual value must be lowered by \$0.15 beginning at 501. For example, 501 miles equals a deduction to the residual of \$0.15. ($1 \times .15$). If the current mileage is 552 the deduction would be \$7.80 ($552 - 500 = 52 \times .15$).

Upfront Annual Excess Mileage – If structuring the lease for annual mileage exceeding 15,000, the residual value must be reduced by multiplying the total projected excess mileage over the term by \$0.15 per mile. For example, a lease written for 18,000 miles per year for a 3-year term will have a deduction to the residual of \$1350. ($3,000 \text{ excess miles} \times 3 \text{ years} = 9,000 \text{ miles} \times \$0.15 = \$1350$) Please keep in mind that the residual value must remain at or above 10% of the MSRP before discounts.

Used Vehicles

Excess Mileage at Inception – The Used Vehicle Residual Calculator includes a mileage table in its calculations. Therefore, low mileage or high mileage for the model year will increase or

decrease the residual. The adjustment can be seen in the “Inception Mileage Adj” row of the “Residual Information” section of the CULA residual calculator.

Upfront Annual Excess Mileage- If structuring the lease for annual mileage exceeding 15,000, the residual value must be reduced by multiplying the total projected excess mileage over the term by \$0.15 per mile. For example, a lease written for 18,000 miles per year for a 3-year term will have a deduction to the residual of \$1350. (3,000 excess miles X 3 years = 9,000 miles X \$0.15 = \$1350) Please keep in mind that the residual value must remain at or above 10% of the NADA Retail Value.

End-of-Term Excess Mileage Charge

End-of-term mileage charge will be based on the signed lease agreement. Mileage will either be based on the residual value of the vehicle, per the list below **OR** at a flat rate of \$0.25 per mile over the total allowed mileage. **(Varies by Credit Union, see Rate Sheet for details)**

Residuals less than \$20,000 = \$0.15 per mile excess mileage charge

Residuals between \$20,000 and \$25,000 = \$0.20 per mile excess mileage charge

Residuals greater than \$25,000 = \$0.25 per mile excess mileage charge

Mechanical Breakdown Insurance / Service Contract

Products offered by the credit union, or the dealership/manufacturer may be funded in the lease if the amount financed does not exceed the maximum funding amount as designated by the Credit Union.

Lease Terms

New Model Vehicles

24, 30, 36, 39, 42, 48, 54, and 60-month terms are available.

Used Model Vehicles ()*

2021 Model Year – 24, 30 and 36-month terms are available

2022 Model Year – 24, 30, 36, 39, 42 and 48-mo terms are available

2023 and Newer Model Years – 24, 30, 36, 39, 42, 48, 54 and 60-mo terms are available

Used Vehicles

The same lease agreement will be utilized for a used vehicle lease. Maximum funding for a used vehicle lease will be based on NADA Retail of the vehicle times the maximum advance % per the Lender's rate sheet. The maximum adjusted capitalized cost will be inclusive of everything to be financed in with the lease (i.e. acquisition fee, adds, taxes, title, license, and

warranties, etc.). A dealer worksheet, Insurance Verification form, current Carfax and an Odometer, Delivery & Acceptance Certificate (Delivery Receipt) will be required in the used vehicle lease package for funding.

Current Carfax Report- any vehicle with a history of being involved in an accident, frame damage, branded or salvaged title, odometer discrepancy or lemon law will not be accepted on the program.

NADA Retail may or may not provide values for a **current year used vehicle** at any given time. CULA's maximum advance policy for a **current year used vehicle** will be based on NADA Retail Value of a used vehicle (if provided by NADA) otherwise NADA Retail Value (MSRP) of a new vehicle (if NADA does not provide for current year used).

Any previously registered vehicle that will be leased must be in good condition without any reports of the vehicle being involved in an accident. When the vehicle is returned it must be in good operating order and appearance with all manufacturer recommended servicing having been performed and will be saleable at wholesale without deductions for condition.

"Unwinds" and previously registered vehicles may be leased with a Guarantee of Title on a case-by-case basis (contact your loan officer at the credit union). Please be sure to designate the vehicle as "used" in the appropriate box on the lease agreement.

Residual values that are used to contract used vehicle leases should be determined from the CULA Residual website. CULA does not guarantee residual value information provided by third party sources.

Sales Tax Rate

Please charge the correct rate on the base lease payment and on any capitalized cost reduction. The original tax rate is based upon the lessee's registered address at the time the lease agreement is signed.

Negative Trade Equity

Negative trade equity can either be paid in the amounts due at lease signing or delivery or can be included in the gross capitalized cost and financed in with the lease. If the negative trade equity is paid up front, it must be listed on the blank line (line 2(e)(v) on most lease agreements) and included in the total amounts due at lease signing or delivery. Negative trade equity must be expressed as a positive number and is not subject to sales tax. If the negative trade equity is financed in with the lease, the adjusted Cap Cost must still be less than or equal to the maximum advance % per the Lender's rate sheet of the residual MSRP (including discount packages) or NADA Retail (used vehicles) in order to be funded. **THERE CANNOT BE ANY NEGATIVE NUMBERS ON THE LEASE AGREEMENT.**

Lease to Loan

At any point in time during the lease, the lessee(s) may convert their lease to a loan (upon approval of credit by the credit union).

Drive-Off Fees

Drive-off fees may be collected up front, or they may be rolled into the cap cost. If they are collected up front, the first month's payment, documentation fee, acquisition fee, or any cap reduction must be taxed. The only exceptions are: license fee, MBI, etc. If the drive-off fees are rolled into the cap cost, the following items will be deducted from the dealer proceeds: acquisition fee, the first month's payment plus tax, and the sales tax on any type of cap reduction. Whether collected up front, or rolled into the cap cost, all drive-off fees must be itemized under section 2(e) of the lease agreement. The totals listed in fed boxes 2(e) and 2(f) must be equal to the amount due at lease signing listed in fed box 2(a) *(All references to section 2 on the lease agreement are located in section 3 of the Indiana lease.)*

Non-Eligible Vehicles

Hybrid Vehicles (unless residuals are available at CULA residual website)

Truck or van conversions

Any vehicle involved in an accident per CARFAX or AUTOCHECK Reports

Any vehicle with a lift kit or any vehicle with a lowered suspension

Any vehicle for commercial use

Any vehicle for Livery purposes

Gray market vehicles

Emergency, municipal, or law enforcement vehicles

Modified, exotic or racing vehicles

Motor homes or self-contained vans

Early Lease Returns

In the event that a lessee "turns-in" a leased vehicle at a dealership prior to his/her scheduled termination date the following must occur:

Lease returns prior to scheduled termination date will not be accepted unless lessee accepts all liability described in the paragraph entitled, "Voluntary Early Termination."

If the dealer finances all or part of the lessee's prior lease balance, then he/she needs to calculate all remaining lease payments (plus any applicable Disposition Fee as mentioned above) and include that amount into any new vehicle transaction that transpires.

The Dealer should notify both the credit union and CULA (1-800-878-5400) that a leased vehicle has been returned.

Leased Vehicles may not be left at dealerships without being considered a "trade in" **unless CULA has scheduled a turn in with the lessee and the participating dealership.**

Early Termination Trade-in

Unlike the above option of an early termination turn-in, an early termination “trade-in” results in the dealer paying off the outstanding principal amount due the credit union plus the Purchase Option Fee. The dealer thus becomes the owner of the trade-in and cannot return the vehicle to CULA.

Purchase Package Checklist

The following items need to be included in your purchase package before it is mailed to the credit union:

New Vehicle Lease

Lease Agreement: signed and initialed in the appropriate places on the lease agreement by the lessee(s) and by the authorized representative of the originating dealer.

A lease worksheet.

Copies of factory invoice or window sticker with VIN that matches the lease agreement.

Copies of title and registration application documents—completed with correct lessor, lienholder’s address, and lessee’s original signatures.

Completed Insurance Verification Form signed by the dealer and lessee(s).

Original Credit Application—including the lessee’s original signature.

Appropriate credit documentation as required by loan officer.

Contact the credit union for any additional required items.

Used Vehicle Lease (UVL)

All of the above, except item number 3. If the used model vehicle is a current model year and the invoice or MSRP are available, otherwise a copy of the NADA used retail value printout should be included with the package for funding. The vehicle information and equipment on the NADA used retail value printout should match the Odometer, Delivery and Acceptance Certificate.

Odometer, Delivery and Acceptance Certificate (Used Vehicle Equipment form with condition report) must detail the equipment particular to the residual increases or decreases as noted in CULA’s residual website

(<https://residuals.cula.com/vehicleresidualcalculator/consumerlease.aspx>). If the dealer increases the residual for any equipment that is not part of the vehicle, (i.e. diesel motor, navigation system) the deal will be returned to the dealer for repayment of the entire funding amount. Also, please notate the current condition and/or any damage (i.e. dings, dents, scratches, etc.) so that CULA does not charge the Lessee at lease termination for prior damage.

Copy of both pages of the printout from CULA Residual Web UVL residual calculation including odometer reading, intended annual mileage, and applicable optional equipment. Max

advance for a used vehicle lease is calculated as: NADA retail total times the maximum percentage as outlined on Lender's rate sheet.

Current Carfax Report- any vehicle with a history of being involved in an accident, frame damage, branded or salvaged title, odometer discrepancy or lemon law will not be accepted on the program.