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SENATE BILL 5121

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State of Washington

53rd Legislature

1993 Regular Session

By Senators A. Smith, Rinehart and Quigley

Read first time 01/13/93. Referred to Committee on Law & Justice.

1 AN ACT Relating to consumer leases of automobiles; amending RCW  
2 63.10.020 and 63.10.040; and adding a new section to chapter 63.10 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 63.10.020 and 1992 c 134 s 15 are each amended to read  
5 as follows:

6 As used in this chapter, unless the context otherwise requires:

7 (1) The term "consumer lease" means a contract of lease or bailment  
8 for the use of personal property by a natural person for a period of  
9 time exceeding four months, and for a total contractual obligation not  
10 exceeding twenty-five thousand dollars, primarily for personal, family,  
11 or household purposes, whether or not the lessee has the option to  
12 purchase or otherwise become the owner of the property at the  
13 expiration of the lease, except that such term shall not include any  
14 lease which meets the definition of a retail installment contract under  
15 RCW 63.14.010 or the definition of a lease-purchase agreement under  
16 chapter 63.19 RCW. The twenty-five thousand dollar maximum in this  
17 subsection shall not apply to consumer leases of motor vehicles. The  
18 inclusion in a lease of a provision whereby the lessee's or lessor's  
19 liability, at the end of the lease period or upon an earlier

1 termination, is based on the value of the leased property at that time,  
2 shall not be deemed to make the transaction other than a consumer  
3 lease. The term "consumer lease" does not include a lease for  
4 agricultural, business, or commercial purposes, or to a government or  
5 governmental agency or instrumentality, or to an organization.

6 (2) The term "lessee" means a natural person who leases or is  
7 offered a consumer lease.

8 (3) The term "lessor" means a person who is regularly engaged in  
9 leasing, offering to lease, or arranging to lease under a consumer  
10 lease.

11 **Sec. 2.** RCW 63.10.040 and 1983 c 158 s 4 are each amended to read  
12 as follows:

13 (1) In any lease contract subject to this chapter, the following  
14 items, as applicable, shall be disclosed:

15 (a) A brief description of the leased property, sufficient to  
16 identify the property to the lessee and lessor.

17 (b) The total amount of any payment, such as a refundable security  
18 deposit paid by cash, check, or similar means, advance payment,  
19 capitalized cost reduction, or any trade-in allowance, appropriately  
20 identified, to be paid by the lessee at consummation of the lease.

21 (c) The number, amount, and due dates or periods of payments  
22 scheduled under the lease and the total amount of the periodic  
23 payments. If the lessee trades in a motor vehicle, the amount of the  
24 sales tax exemption for the agreed value of the traded vehicle and any  
25 reduction in the periodic payments resulting from the application of  
26 the sales tax exemption shall be disclosed in the lease contract. The  
27 disclosures shall appear substantially as follows:

28 SALES TAX EXEMPTION FOR TRADED VEHICLE

29	(i)	Value of traded vehicle	\$ . . . . .
30	(ii)	Net trade-in allowance	\$ . . . . .
31	(iii)	Excess of traded vehicle value over trade-	
32		in allowance ((i) minus (ii))	\$ . . . . .
33	(iv)	Sales tax rate (.0xx)	
34	(v)	Sales tax exemption ((iii) multiplied by	
35		(iv))	\$ . . . . .
36	(vi)	Monthly sales tax	\$ . . . . .
37	(vii)	Number of months of sales tax exemption	
38		((v) divided by (vi))	. . . . .

1 MONTHLY PAYMENT

2	<u>First</u>	<u>Next</u>	<u>Last</u>
3	<u>. .payment(s)</u>	<u>. .payment(s)</u>	<u>. .payment(s)</u>
4 <u>Base monthly payment</u>	<u>\$. . . . .</u>	<u>\$. . . . .</u>	<u>\$. . . . .</u>
5 <u>Monthly sales tax</u>	<u>\$. . . . .</u>	<u>\$. . . . .</u>	<u>\$. . . . .</u>
6 <u>Other. . . . .</u>	<u>\$. . . . .</u>	<u>\$. . . . .</u>	<u>\$. . . . .</u>
7 <u>Total monthly payment</u>	<u>\$. . . . .</u>	<u>\$. . . . .</u>	<u>\$. . . . .</u>

8 (d) The total amount paid or payable by the lessee during the lease  
9 term for official fees, registration, certificate of title, license  
10 fees, or taxes.

11 (e) The total amount of all other charges, individually itemized,  
12 payable by the lessee to the lessor, which are not included in the  
13 periodic payments. This total includes the amount of any liabilities  
14 the lease imposes upon the lessee at the end of the term, but excludes  
15 the potential difference between the estimated and realized values  
16 required to be disclosed under (m) of this subsection.

17 (f) A brief identification of insurance in connection with the  
18 lease including (i) if provided or paid for by the lessor, the types  
19 and amounts of coverages and cost to the lessee, or (ii) if not  
20 provided or paid for by the lessor, the types and amounts of coverages  
21 required of the lessee.

22 (g) A statement identifying any express warranties or guarantees  
23 available to the lessee made by the lessor or manufacturer with respect  
24 to the leased property.

25 (h) An identification of the party responsible for maintaining or  
26 servicing the leased property together with a brief description of the  
27 responsibility, and a statement of reasonable standards for wear and  
28 use, if the lessor sets such standards.

29 (i) A description of any security interest, other than a security  
30 deposit disclosed under (b) of this subsection, held or to be retained  
31 by the lessor in connection with the lease and a clear identification  
32 of the property to which the security interest relates.

33 (j) The amount or method of determining the amount of any penalty  
34 or other charge for delinquency, default, or late payments.

35 (k) A statement of whether or not the lessee has the option to  
36 purchase the leased property and, if at the end of the lease term, at  
37 what price, and, if prior to the end of the lease term, at what time,  
38 and the price or method of determining the price.

1 (l) A statement of the conditions under which the lessee or lessor  
2 may terminate the lease prior to the end of the lease term and the  
3 amount or method of determining the amount of any penalty or other  
4 charge for early termination.

5 (m) A statement that the lessee shall be liable for the difference  
6 between the estimated value of the property and its realized value at  
7 early termination or the end of the lease term, if such liability  
8 exists.

9 (n) Where the lessee's liability at early termination or at the end  
10 of the lease term is based on the estimated value of the leased  
11 property, a statement that the lessee may obtain at the end of the  
12 lease term or at early termination, at the lessee's expense, a  
13 professional appraisal of the value which could be realized at sale of  
14 the leased property by an independent third party agreed to by the  
15 lessee and the lessor, which appraisal shall be final and binding on  
16 the parties.

17 (o) Where the lessee's liability at the end of the lease term is  
18 based upon the estimated value of the leased property:

19 (i) The value of the property at consummation of the lease, the  
20 itemized total lease obligation at the end of the lease term, and the  
21 difference between them.

22 (ii) That there is a rebuttable presumption that the estimated  
23 value of the leased property at the end of the lease term is  
24 unreasonable and not in good faith to the extent that it exceeds the  
25 realized value by more than three times the average payment allocable  
26 to a monthly period, and that the lessor cannot collect the amount of  
27 such excess liability unless the lessor brings a successful action in  
28 court in which the lessor pays the lessee's attorney's fees, and that  
29 this provision regarding the presumption and attorney's fees does not  
30 apply to the extent the excess of estimated value over realized value  
31 is due to unreasonable wear or use, or excessive use.

32 (iii) A statement that the requirements of (o)(ii) of this  
33 subsection do not preclude the right of a willing lessee to make any  
34 mutually agreeable final adjustment regarding such excess liability.

35 (p) If the lease is for a motor vehicle, a statement of the capital  
36 cost, which shall be the value ascribed to the motor vehicle by the  
37 dealer for purposes of setting the lease payments, and interest rate  
38 equivalent converted to annual percentage rate of the vehicle used to  
39 calculate the lease payments and residual.

1 (2) Except for subsection (1)(p) of this section, section 3 of this  
2 act, and the twenty-five thousand dollar limit under RCW 63.10.020  
3 applying to a consumer lease for a motor vehicle, any consumer lease  
4 which complies with the disclosure requirements of Title I of the  
5 federal consumer protection act (90 Stat. 257, 15 U.S.C. Sec. 1667 et  
6 seq.), which is also known as the federal consumer leasing act, as of  
7 the date upon which the consumer lease is executed, shall be deemed to  
8 comply with the disclosure requirements of this chapter.

9 NEW SECTION. Sec. 3. A new section is added to chapter 63.10 RCW  
10 to read as follows:

11 (1) A seller-lessor of a consumer lease for a motor vehicle that  
12 includes the option to purchase at the end of the lease term shall  
13 provide in the consumer lease a statement comparing total amount to be  
14 paid under the lease to result in ownership with the outright purchase  
15 of the vehicle done with payments for the same term as the lease at a  
16 prevailing interest rate. The purpose of this section is to provide  
17 consumers with adequate information to make an informed decision  
18 between a purchase and a lease with purchase option of a motor vehicle.  
19 The statement may be made in a separate document if both the seller-  
20 lessor and the buyer-lessee acknowledge the document and a copy is  
21 provided to the consumer prior to or at the time of the sale or lease  
22 of the vehicle. The separate provisions of the statement must be  
23 initialed by the buyer-lessee to indicate that the buyer-lessee has  
24 understood each provision. The information stating the total of all  
25 purchase or lease payments shall be set off in a single box and shall  
26 be printed in upper case letters at least three-quarters of one inch in  
27 height. The statement must appear on one side of one piece of paper  
28 and be substantially as follows:

29	<u>PURCHASE</u>	<u>LEASE WITH OPTION TO PURCHASE</u>
30	TOTAL OF ALL PAYMENTS RESULTING	TOTAL OF ALL PAYMENTS RESULTING
31	IN OWNERSHIP OF THE VEHICLE:	IN OWNERSHIP OF THE VEHICLE:
32	\$. . . . .	\$. . . . .

1	Downpayment, including trade-in,	Downpayment, including all
2	if any: \$. . . . . (not less	manufacturers' incentives
3	than 10% of purchase price)	trade-in and capital cost
4		reduction if any: \$. . . . .
5		Residual cash price of vehicle to
6		obtain ownership at end of
7		lease term: \$. . . . .
8	Monthly payment . . . . .	Monthly payment \$. . . . .
9	(for the same term anticipated	
10	under the lease and at an annual	
11	percentage interest rate of	
12	. . . .% generally available	
13	to consumers for that term):	
14	\$. . . . .	
15	Total number of monthly	Total number of monthly
16	payments: . . . .	payments: . . . .
17		(Based on an annual percentage
18		interest rate equivalent of
19		. . . . %)
20	Total of all interest paid:	Total of all interest paid:
21	\$. . . . .	\$. . . . .

22 (2) The attorney general shall adopt rules for the implementation  
23 of this section, including needed modifications of the suggested form  
24 in subsection (1) of this section.

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