



1995 SENATE BILL 589

February 28, 1996 – Introduced by Senators RUDE, DARLING, HUELSMAN, SHIBILSKI, SCHULTZ, COWLES, BRESKE, CLAUSING, DRZEWIECKI, FARROW, GEORGE, GROBSCHMIDT, PETAK, C. POTTER, RISSER, WELCH, WINEKE, ZIEN and FITZGERALD, cosponsored by Representatives FREESE, ALBERS, AINSWORTH, FOTI, GARD, GREEN, GUNDERSON, HUTCHISON, JENSEN, KAUFERT, KREIBICH, KREUSER, LADWIG, F. LASEE, LEHMAN, MEYER, NASS, OLSEN, OTTE, TRAVIS and VRAKAS. Referred to Committee on Education and Financial Institutions.

1 **AN ACT to repeal** 218.01 (6) (b) 1. to 8., 218.01 (6) (bm) and (bn), 218.01 (6) (j) and
2 422.201 (4); **to renumber** 218.01 (2) (bb); **to renumber and amend** 218.01 (6)
3 (b) (intro.) and 422.201 (12m); **to amend** 218.01 (1) (n) 1. and 2., 218.01 (1) (p),
4 218.01 (1) (v), 218.01 (1a), 218.01 (2) (b), 218.01 (2) (d) 8. b., 218.01 (2) (dr),
5 218.01 (2) (h) 2., 218.01 (2) (k) 3., 218.01 (2) (k) 5., 218.01 (3) (a) 5., 218.01 (3)
6 (a) 6., 218.01 (3) (a) 8., 218.01 (3) (a) 9., 218.01 (3) (a) 10., 218.01 (3) (a) 13.,
7 218.01 (3) (a) 14., 218.01 (3) (a) 18., 218.01 (3) (a) 19., 218.01 (3) (a) 20., 218.01
8 (3) (a) 21., 218.01 (3) (a) 25., 218.01 (3) (a) 29., 218.01 (3) (bf) 1., 218.01 (5) (a),
9 218.01 (6) (bp), 218.01 (6) (d), 218.01 (7b), 218.01 (9) (b), 344.51 (title), 344.51
10 (1), 344.51 (2), 421.103 (2), 421.201 (5), 421.202 (6), 421.202 (7), 421.202 (8),
11 421.301 (20) (intro.), 421.301 (35), 422.201 (7) (intro.) and (a), 422.201 (8), (9)
12 and (12), 422.207 (1), 422.207 (3), 422.208, 422.303 (3) (intro.), 422.413 (1),
13 422.417 (2), 424.201 (1) and (2), 425.106 (1) (intro.) and 425.107 (4); and **to**
14 **create** 218.01 (1) (ar), 218.01 (1) (ct), 218.01 (1) (ji), 218.01 (1) (jj), 218.01 (1) (jk),
15 218.01 (1) (o) 5., 218.01 (1) (pw), 218.01 (1) (qm), 218.01 (2) (bb) 2., 218.01 (6x),
16 421.103 (5), 421.202 (9), 421.301 (25m), 421.301 (43m), 422.201 (12m) (a),
17 422.202 (1) (e), 422.303 (3m), 424.201 (3) and chapter 429 of the statutes;

1 **relating to:** the leasing of motor vehicles, motor vehicle consumer leases,
2 prelease agreements, financial responsibility for domestic rented or leased
3 vehicles and providing a penalty.

Analysis by the Legislative Reference Bureau

This bill makes a number of changes to state law relating to the leasing of motor vehicles by consumers.

Motor vehicle consumer leases

The bill defines a motor vehicle consumer lease as a lease with a total lease obligation not exceeding \$25,000 for the right of possession and use of a motor vehicle for a period of more than 4 months by a consumer primarily for personal, family, household or agricultural purposes. The consumer lease may permit, but does not require, the consumer to become the owner of the motor vehicle at the end of the lease period.

The changes to state law relating to motor vehicle consumer leases may be cited as the Wisconsin motor vehicle consumer lease act and include all of the following:

1. The bill requires all motor vehicle consumer leases to be in writing and signed by the lessee (consumer) and the lessor (the person leasing the motor vehicle to the consumer). The bill requires that a lessor make certain disclosures to a consumer before entering into the motor vehicle consumer lease. The disclosures must include all of the following information: a) that the consumer has no ownership rights in the vehicle unless the lease permits the consumer to purchase the vehicle upon lease termination and the consumer exercises this option and purchases the vehicle; b) all fees and charges applicable to the lease, including that there may be a charge for early termination of the lease; c) if the lease does not provide any liability insurance for bodily injury or property damage with respect to the leased vehicle, notice that no such liability insurance is included in the lease; d) the “capitalized cost” under the lease and an explanation of the term (basically, the price of the vehicle used for calculating the periodic lease payments); e) any “capitalized cost reduction” under the lease (basically, any trade-in allowance plus any downpayment); f) “the adjusted capitalized cost” under the lease and an explanation of the term (capitalized cost minus the capitalized cost reduction); g) the “residual value” of the vehicle (basically, the estimated fair market value at lease expiration); h) the standards to be used in determining the excess wear and damage to the leased vehicle for which the consumer may be held liable; i) if applicable, that the lease contains a separate charge for waiver of any or all of the “gap amount” and that, in lieu of this charge, the consumer may purchase insurance insuring the consumer for any or all of the gap amount; and j) any other disclosure required by the federal consumer leasing act. The bill defines “gap amount” to mean the difference between the amount in the lease to be paid by the consumer to the lessor in the event of total loss or destruction of the vehicle and any moneys received by the lessor with respect to the vehicle from insurance proceeds or any other person.

If the consumer lease is renegotiated or extended for more than 6 months, these disclosures must be made at the time of the renegotiation or extension.

2. A motor vehicle consumer lease may not contain a penalty, for nonacceptance of the vehicle by the consumer, that is greater than 5% of the capitalized cost of the vehicle.

3. The bill permits a consumer to purchase a liability insurance policy for bodily injury and property damage with respect to operation of the leased vehicle from an insurer acceptable to the lessor. In lieu of such purchase, the motor vehicle consumer lease may include a charge payable to the lessor by the consumer for an insurance premium in connection with an applicable liability insurance policy.

4. The bill permits the consumer to terminate the motor vehicle consumer lease at any time. The bill establishes requirements that govern the calculation of the consumer's obligations to the lessor upon early termination of the lease. A lessor, upon request of a consumer, is required to prepare and give to the consumer a written statement of the projected early termination obligations of the consumer. No charge may be imposed or collected for the first statement in any 12-month period, but a reasonable charge, not exceeding \$20 per statement, may be imposed and collected for each subsequent statement in a 12-month period.

5. The motor vehicle consumer lease may provide that the consumer is responsible for the gap amount and a consumer may, but is not required to, obtain gap protection from the lessor. "Gap protection" is defined to mean a charge under the consumer lease whereby the lessor agrees to waive the gap amount or have a person other than the consumer be liable for the gap amount. A lessor's waiver of holding the consumer liable for the gap amount may be conditioned upon receipt of applicable insurance proceeds or of other payments from the consumer.

6. The bill establishes a mechanism for the assessment of excess wear and damage to the leased vehicle for which a consumer may be obligated to pay an excess wear and damage charge. No such charge may be imposed or collected if the consumer exercises an option to purchase the vehicle upon lease termination.

The bill specifies the conditions and disclosures required for an inspection of the leased vehicle for excess wear and damage. In lieu of an inspection after termination of the lease, the motor vehicle consumer lease may require a pretermination inspection, which shall be conducted not earlier than 15 days before the termination date set forth in the lease.

After a pretermination inspection or inspection after termination of the lease, the consumer may, under specified conditions and at his or her own expense, obtain a counter-inspection for excess wear and damage by a mutually agreed upon inspector. With limited exceptions, the counter-inspection is conclusive as to the consumer's excess wear and damage obligations under the lease, except for any excess wear and damage that occurred after the counter-inspection or for excess wear and damage that was obscured or concealed. A consumer does not default on a motor vehicle consumer lease for failing to obtain a pretermination inspection or counter-inspection.

7. No motor vehicle consumer lease creates a security interest in any real or personal property of the consumer, except for any security deposit, advance lease

payment or other prepayment; any right of setoff; or in any security interest in the leased vehicle or in any proceeds, refunds for cancellation or any other rights of the consumer with respect to the consumer lease.

8. The bill contains provisions governing the refund of an advance payment or the return of a trade-in vehicle if the consumer lease application is not approved.

9. The bill provides that any person who violates any provision of the Wisconsin motor vehicle consumer lease act is liable to the consumer. The amount of the liability is \$100 and actual damages sustained by the consumer as a result of the violation, including any incidental and consequential damages.

This liability provision does not apply to failure of a lessor to substantially comply with the provisions of the act relating to excess wear and damage, in which case the exclusive remedy is a waiver of the lessor's right to collect all contested excess wear and damage charges from the consumer.

Prelease agreement

The bill governs prelease agreements. A "prelease agreement" is defined to mean an agreement to enter into a motor vehicle consumer lease. The agreement must be in writing and signed by both parties.

A prospective lessor must make certain disclosures to the prospective consumer before entering into a prelease agreement. These disclosures must include most of the disclosures pertaining to a motor vehicle consumer lease and a statement that includes a notice that the prelease agreement is binding and obligates the consumer to enter into a motor vehicle consumer lease with the prospective lessor when the vehicle to be leased is available and ready for delivery.

The bill permits a prospective lessor to cancel the prelease agreement within 10 business days of entering into the agreement if the prospective consumer is unable to obtain credit approval of an applicable sales finance company, and the prelease agreement contains notice to the prospective consumer of this cancellation right.

A prelease agreement may not contain a penalty, for nonacceptance of the vehicle by the prospective consumer, that is greater than 5% of the capitalized cost of the vehicle.

Other provisions

Other provisions of the bill make changes to state law relating to the leasing of motor vehicles. These changes include all of the following:

1. Under current law, a person may not rent or lease a motor vehicle unless a bond or liability insurance policy is filed with the department of transportation (DOT). The bill provides that the bondsman or liability insurer (and not the renter or lessor of the vehicle) is liable for damages caused by the negligent operation of the leased vehicle. If no liability policy is filed with DOT, the renter or lessor may be held personally liable for damages, but only in an amount up to the limits that apply whenever proof of financial responsibility is required. These limits are \$25,000 for injury or death to one person in any one accident, \$50,000 for injury or death to 2 or more persons and \$10,000 for damage to property. The bill does not affect the right or ability to recover damages from the person whose negligent operation of the rented or leased vehicle caused the injury or damage.

2. The bill extends the definitions of “motor vehicle dealer”, “motor vehicle salesperson” and “sales finance company” to cover motor vehicle consumer leases and the leasing of motor vehicles. In addition, various provisions relating to the denial, suspension or revocation of a license of a motor vehicle dealer, motor vehicle salesperson or sales finance company extend to prelease agreements and the leasing of motor vehicles.

3. The bill requires a sales finance company to provide and maintain in force a bond or irrevocable letter of credit of not less than \$25,000. The bond or credit must be executed in the name of the state for the benefit of the state and any person who sustains a loss because of an act of the sales finance company that would constitute grounds for the suspension or revocation of the sales finance company’s license.

4. Under current law, a minor must have the advance consent of a custodial parent of the minor or, if neither parent has custody, the person having custody of the minor, before the minor may purchase a motor vehicle. A statement signed by the parent or other custodian of the minor must be submitted to the seller of the motor vehicle. Any person who sells a motor vehicle to a minor with knowledge of this fact without obtaining the statement may be fined not more than \$200 or imprisoned for not more than 6 months or both.

The bill extends this requirement and penalty for a violation to motor vehicle consumer leases.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 218.01 (1) (ar) of the statutes is created to read:

2 218.01 (1) (ar) “Capitalized cost” has the meaning given in s. 429.104 (5).

3 **SECTION 2.** 218.01 (1) (ct) of the statutes is created to read:

4 218.01 (1) (ct) “Consumer lease” has the meaning given in s. 429.104 (9).

5 **SECTION 3.** 218.01 (1) (ji) of the statutes is created to read:

6 218.01 (1) (ji) “Lease” or “leasing” means, with respect to a lessor, to enter into
7 or offer to enter into a consumer lease with a lessee.

8 **SECTION 4.** 218.01 (1) (jj) of the statutes is created to read:

9 218.01 (1) (jj) “Lessee” has the meaning given in s. 429.104 (17).

10 **SECTION 5.** 218.01 (1) (jk) of the statutes is created to read:

1 218.01 (1) (jk) “Lessor” means a person who leases a motor vehicle to a lessee
2 under a consumer lease, but does not include an assignee of a consumer lease.

3 **SECTION 6.** 218.01 (1) (n) 1. and 2. of the statutes are amended to read:

4 218.01 (1) (n) 1. For commission, money or other thing of value, sells, leases,
5 exchanges, buys, ~~rents with the option of purchase~~, offers or attempts to negotiate
6 a sale, consumer lease or exchange of an interest in motor vehicles; or,

7 2. Is engaged wholly or in part in the business of selling or leasing motor
8 vehicles, including motorcycles, whether or not such motor vehicles are owned by
9 such person, firm or corporation.

10 **SECTION 7.** 218.01 (1) (o) 5. of the statutes is created to read:

11 218.01 (1) (o) 5. Sales finance companies who purchase or otherwise acquire
12 consumer leases from a motor vehicle dealer.

13 **SECTION 8.** 218.01 (1) (p) of the statutes is amended to read:

14 218.01 (1) (p) “Motor vehicle salesperson” means sales representative, sales
15 manager, general manager or other person who is employed by a motor vehicle dealer
16 for the purpose of selling or approving retail sales, or leasing or approving consumer
17 leases, of motor vehicles. Any motor vehicle salesperson licensed hereunder shall be
18 licensed to sell or lease only for one dealer at a time.

19 **SECTION 9.** 218.01 (1) (pw) of the statutes is created to read:

20 218.01 (1) (pw) “Periodic” has the meaning given in s. 429.104 (20).

21 **SECTION 10.** 218.01 (1) (qm) of the statutes is created to read:

22 218.01 (1) (qm) “Prelease agreement” means an agreement to enter into a
23 consumer lease whereby the motor vehicle will be available and ready to be delivered
24 to the prospective lessee at a later time.

25 **SECTION 11.** 218.01 (1) (v) of the statutes is amended to read:

1 218.01 (1) (v) "Sales finance company" means and includes any person, firm or
2 corporation engaging in the business, in whole or in part, of acquiring by purchase
3 or by loan on the security thereof, or otherwise, retail instalment contracts or
4 consumer leases from retail sellers or lessors in this state, including any motor
5 vehicle dealer who sells or leases any motor vehicle on an instalment contract or
6 consumer lease or acquires any retail instalment contracts in the dealer's retail sales
7 or leases of motor vehicles.

8 **SECTION 12.** 218.01 (1a) of the statutes, as affected by 1995 Wisconsin Act 27,
9 is amended to read:

10 218.01 (1a) AUTHORITY OF LICENSORS. The department of transportation shall
11 issue the licenses provided for in sub. (2) (d) 1. to 6. and have supervision over the
12 licensees thereunder in respect to all the provisions of this section, except only as to
13 such matters as relate to the sale of motor vehicles on retail instalment contracts and
14 the financing and servicing of such contracts and as to such matters as relate to
15 consumer leases, over which matter the division of banking shall have jurisdiction
16 and control, and the division of banking shall issue the licenses to sales finance
17 companies. Either licensor hereunder shall, upon request, furnish the other licensor
18 with any information it may have in respect to any licensee or applicant for license
19 or any transaction in which such licensee or applicant may be a party or be
20 interested. No license shall be issued under sub. (2) (d) 1. and 8. until both licensors
21 have approved the application. The suspension or revocation of either of such
22 licenses shall automatically likewise suspend or revoke the other license; and such
23 suspension or revocation shall be certified by the licensor ordering it to the other
24 licensor.

1 **SECTION 13.** 218.01 (2) (b) of the statutes, as affected by 1995 Wisconsin Act 27,
2 section 5843, is amended to read:

3 218.01 (2) (b) Application for license shall be made to the licensor, at such time,
4 in such form and with such information as the licensor shall require and shall be
5 accompanied by the required fees. An applicant for a sales finance company license,
6 other than a motor vehicle dealer, shall pay to the division of banking a
7 nonrefundable \$300 investigation fee in addition to the license fee under par. (dr).
8 If the cost of an investigation exceeds \$300, the applicant shall, upon demand of the
9 division of banking, pay the amount by which the cost of the investigation exceeds
10 the nonrefundable fee. A licensee is not required to pay an investigation fee for the
11 renewal of a license. The licensor may require the applicant to provide information
12 relating to any pertinent matter that is commensurate with the safeguarding of the
13 public interest in the locality in which the applicant proposes to engage in business,
14 except that information relating to the applicant's solvency and financial standing
15 may not be required for motor vehicle dealers except as provided in par. (h) 1. The
16 information provided may be considered by the licensor in determining the fitness
17 of the applicant to engage in business as set forth in this section.

18 **SECTION 14.** 218.01 (2) (bb) of the statutes, as affected by 1995 Wisconsin Act
19 27, is renumbered 218.01 (2) (bb) 1.

20 **SECTION 15.** 218.01 (2) (bb) 2. of the statutes is created to read:

21 218.01 (2) (bb) 2. A sales finance company or an applicant for a sales finance
22 company license shall provide and maintain in force a bond or irrevocable letter of
23 credit of not less than \$25,000 issued by a surety company licensed to do business in
24 this state or a federally insured financial institution, as defined in s. 705.01 (3). The
25 bond or letter of credit shall be payable to the state of Wisconsin for the use of the

1 state and of any person who sustains a loss because of an act of a sales finance
2 company that constitutes grounds for the suspension or revocation of a license under
3 this section.

4 **SECTION 16.** 218.01 (2) (d) 8. b. of the statutes, as affected by 1995 Wisconsin
5 Act 27, is amended to read:

6 218.01 (2) (d) 8. b. For motor vehicle dealers that operate as a sales finance
7 company or that carry or retain ~~time-sales~~ retail instalment contracts or consumer
8 leases for more than 30 days, to the division of banking, the same as for sales finance
9 companies under par. (dr), ~~except for gross volume of \$100,000 or less, \$50.~~

10 **SECTION 17.** 218.01 (2) (dr) of the statutes, as affected by 1995 Wisconsin Act
11 27, is amended to read:

12 218.01 (2) (dr) The fee for licenses for sales finance companies, ~~except as~~
13 ~~provided in par. (d) 8.,~~ for each calendar year, or part of a calendar year, is based on
14 the gross volume of purchases of retail sales instalment contracts and consumer
15 leases of motor vehicles sold or leased in this state for the 12 months immediately
16 preceding October 31 of the year in which the application for license is made, as
17 follows: On a gross volume of \$100,000 or less, \$50; and on each \$100,000 or part
18 thereof over \$100,000, an additional \$15. No extra charge shall be made for branch
19 licenses for sales finance companies. Gross volume shall be based on the unpaid
20 balance of the retail instalment contracts and consumer leases.

21 **SECTION 18.** 218.01 (2) (h) 2. of the statutes, as affected by 1995 Wisconsin Act
22 27, is amended to read:

23 218.01 (2) (h) 2. Provided the licensor has reasonable cause to doubt the
24 financial responsibility of the applicant or licensee or the compliance by the
25 applicant or licensee with this section, the licensor may require the applicant or

1 licensee to furnish and maintain a bond in the form, amount and with the sureties
2 it approves, but not less than \$5,000, nor more than \$100,000, conditioned upon the
3 applicant or licensee complying with the statutes applicable to the licensee and as
4 indemnity for any loss sustained by any person by reason of any acts of the licensee
5 constituting grounds for suspension or revocation of the license under this section.
6 The bonds shall be executed in the name of the department of transportation for the
7 benefit of any aggrieved parties; provided that the aggregate liability of the surety
8 to all such parties shall, in no event, exceed the amount of the bond. The bonding
9 requirements in this subdivision shall not apply to manufacturers, factory branches,
10 and their agents and is in addition to the bond or letter of credit required of a motor
11 vehicle dealer under par. (bb) 1.

12 **SECTION 19.** 218.01 (2) (k) 3. of the statutes is amended to read:

13 218.01 (2) (k) 3. Has had experience or training in, or is otherwise qualified for,
14 selling or leasing motor vehicles.

15 **SECTION 20.** 218.01 (2) (k) 5. of the statutes is amended to read:

16 218.01 (2) (k) 5. Is reasonably familiar with the motor vehicle sales or consumer
17 lease laws or contracts that the applicant is proposing to solicit, negotiate or effect.

18 **SECTION 21.** 218.01 (3) (a) 5. of the statutes is amended to read:

19 218.01 (3) (a) 5. Wilfully defrauding any retail buyer, lessee or prospective
20 lessee to the buyer's, lessee's or prospective lessee's damage.

21 **SECTION 22.** 218.01 (3) (a) 6. of the statutes is amended to read:

22 218.01 (3) (a) 6. Wilful failure to perform any written agreement with any retail
23 buyer, lessee or prospective lessee.

24 **SECTION 23.** 218.01 (3) (a) 8. of the statutes is amended to read:

1 218.01 (3) (a) 8. Having made a fraudulent sale, consumer lease, prelease
2 agreement, transaction or repossession.

3 **SECTION 24.** 218.01 (3) (a) 9. of the statutes is amended to read:

4 218.01 (3) (a) 9. Fraudulent misrepresentation, circumvention or concealment
5 through whatsoever subterfuge or device of any of the material particulars or the
6 nature thereof required hereunder to be stated or furnished to the retail buyer, lessee
7 or prospective lessee.

8 **SECTION 25.** 218.01 (3) (a) 10. of the statutes is amended to read:

9 218.01 (3) (a) 10. Employment of fraudulent devices, methods or practices in
10 connection with compliance with the statutes with respect to the retaking of goods
11 under retail instalment contracts or consumer leases and the redemption and resale
12 or subsequent lease of such goods.

13 **SECTION 26.** 218.01 (3) (a) 13. of the statutes is amended to read:

14 218.01 (3) (a) 13. Having sold a retail instalment contract or consumer lease
15 to a sales finance company not licensed hereunder.

16 **SECTION 27.** 218.01 (3) (a) 14. of the statutes is amended to read:

17 218.01 (3) (a) 14. Having violated any law relating to the sale, lease,
18 distribution or financing of motor vehicles.

19 **SECTION 28.** 218.01 (3) (a) 18. of the statutes is amended to read:

20 218.01 (3) (a) 18. Having accepted an order or contract of purchase ~~or a contract~~
21 from a buyer or a consumer lease or prelease agreement from a lessee or prospective
22 lessee if such arrangement results in the practice of bushing. For the purpose of this
23 section, "bushing" means the practice of increasing the selling price or capitalized
24 cost of a motor vehicle above that originally quoted the purchaser, lessee or
25 prospective lessee as evidenced by a purchase order ~~or~~, contract, prelease agreement

1 or consumer lease which has been signed by both the purchaser, lessee or prospective
2 lessee and dealer licensee.

3 **SECTION 29.** 218.01 (3) (a) 19. of the statutes is amended to read:

4 218.01 (3) (a) 19. Having advertised, printed, displayed, published,
5 distributed, broadcast or televised or caused or permitted to be advertised, printed,
6 displayed, published, distributed, broadcast or televised in any manner whatsoever,
7 any statement or representation with regard to the sale, lease or financing of motor
8 vehicles which is false, deceptive or misleading.

9 **SECTION 30.** 218.01 (3) (a) 20. of the statutes is amended to read:

10 218.01 (3) (a) 20. Having set up, promoted or aided in the promotion of a plan
11 by which motor vehicles are sold or leased to a person for a consideration and upon
12 the further consideration that the purchaser or lessee agrees to secure one or more
13 persons to participate in the plan by respectively making a similar purchase or lease
14 and in turn agreeing to secure one or more persons likewise to join in said plan, each
15 purchaser or lessee being given the right to secure money, credits, goods or something
16 of value, depending upon the number of persons joining in the plan.

17 **SECTION 31.** 218.01 (3) (a) 21. of the statutes is amended to read:

18 218.01 (3) (a) 21. Being a dealer who keeps open the dealer's place of business
19 on Sunday for the purpose of buying, leasing or selling motor vehicles; but nothing
20 in this subdivision shall apply to any person who conscientiously believes that the
21 7th day of the week, from sunset Friday to sunset Saturday, should be observed as
22 the Sabbath and who actually refrains from conducting or engaging in the business
23 of buying, leasing, selling or offering for lease or sale motor vehicles, or performing
24 other secular business on that day.

25 **SECTION 32.** 218.01 (3) (a) 25. of the statutes is amended to read:

1 218.01 (3) (a) 25. Having violated chs. 421 to 427 or 429.

2 **SECTION 33.** 218.01 (3) (a) 29. of the statutes is amended to read:

3 218.01 (3) (a) 29. Being an inactive business, as evidenced by 3 or less motor
4 vehicle purchases and sales or consumer leases during the prior year licensing
5 period.

6 **SECTION 34.** 218.01 (3) (bf) 1. of the statutes, as affected by 1995 Wisconsin Act
7 27, is amended to read:

8 218.01 (3) (bf) 1. The department of transportation shall not license as a dealer
9 an applicant for the sale or lease of motor vehicles at retail unless such applicant
10 owns or leases a vehicle display lot and a permanent building wherein there are
11 facilities to display automobiles and motorcycles and facilities to repair functional
12 and nonfunctional parts of motor vehicles and where replacement parts, repair tools
13 and equipment to service motor vehicles are kept, and at which place of business
14 shall be kept and maintained the books, records and files necessary to conduct the
15 business. A residence, tent or temporary stand is not a sufficiently permanent place
16 of business within the meaning of this paragraph.

17 **SECTION 35.** 218.01 (5) (a) of the statutes is amended to read:

18 218.01 (5) (a) The licensor shall promote the interests of retail buyers and
19 lessees of motor vehicles relating to default, delinquency, repossession or collection
20 charges and the refund of the finance charge and insurance premium on prepayment
21 of the instalment contract or consumer lease. It may define unfair practices in the
22 motor vehicle industry and trade between licensees or between any licensees and
23 retail buyers, lessees or prospective lessees of motor vehicles, but may not limit the
24 price at which licensees may sell, assign or transfer receivables, contracts or other

1 evidence of any obligation arising out of an instalment sale or consumer lease made
2 under this section.

3 **SECTION 36.** 218.01 (6) (b) (intro.) of the statutes, as affected by 1995 Wisconsin
4 Act 27, is renumbered 218.01 (6) (b) and amended to read:

5 218.01 (6) (b) Prior to or concurrent with any instalment sale, the seller shall
6 deliver to the buyer a written statement describing clearly the motor vehicle sold to
7 the buyer, the cash sale price, the cash paid down by the buyer, the amount credited
8 the buyer for any trade-in and a description of the trade-in, the cost to the retail
9 buyer of any insurance, the amount financed which may include the cost of
10 insurance, sales and use taxes, the amount of the finance charge, the amount of any
11 other charge specifying its purpose, the total of payments due from the buyer, the
12 terms of the payment of such total, the amount and date of each payment necessary
13 finally to pay the total and a summary of any insurance coverage to be effected. The
14 division of banking may determine the form of the statement. If a written order is
15 taken from a prospective purchaser in connection with any instalment sale, the
16 written statement shall be given to the purchaser prior to or concurrent with the
17 signing of the order by the purchaser. ~~The finance charge in a retail instalment sale~~
18 ~~made prior to April 6, 1980, however computed, excluding the cost of insurance shall~~
19 ~~not exceed the amount computed on the basis of the following annual percentage~~
20 ~~rates:~~

21 **SECTION 37.** 218.01 (6) (b) 1. to 8. of the statutes are repealed.

22 **SECTION 38.** 218.01 (6) (bm) and (bn) of the statutes are repealed.

23 **SECTION 39.** 218.01 (6) (bp) of the statutes is amended to read:

24 218.01 (6) (bp) A retail instalment sale made after October 31, 1984, is not
25 subject to any maximum finance charge ~~limit rate~~. The maximum allowable finance

1 charge shall be computed on the declining principal balance of the amount financed
2 as determined under par. (b) at the annual percentage rate, disclosed pursuant to
3 subch. III of ch. 422, according to the actuarial method as defined in s. 421.301 (1).

4 **SECTION 40.** 218.01 (6) (d) of the statutes is amended to read:

5 218.01 (6) (d) A violation of par. (a), (b), ~~(bm)~~, ~~(bn)~~, or (bp) ~~or~~ (k) bars recovery
6 of any finance charge by the seller, or an assignee of the seller who, at the time of the
7 assignment, had knowledge of the violation, in any suit upon a sales contract arising
8 from the sale where the violation occurred.

9 **SECTION 41.** 218.01 (6) (j) of the statutes is repealed.

10 **SECTION 42.** 218.01 (6x) of the statutes is created to read:

11 218.01 (6x) PRELEASE AGREEMENTS. (a) Every prelease agreement shall be in
12 writing, which shall contain all of the agreements of the parties with respect to
13 entering into a consumer lease and shall be signed by both parties.

14 (b) No prelease agreement shall be binding on a prospective lessee unless all
15 of the following apply:

16 1. All of the information required to be disclosed under par. (d) or in a consumer
17 lease under s. 429.203 (3) and (4) is disclosed in writing to the prospective lessee
18 before the execution of the prelease agreement by the prospective lessee.

19 2. The prelease agreement contains, directly above the place for the prospective
20 lessee's signature, a notice in substantially the following language in bold-faced
21 capital letters of not less than 10-point type:

22 **NOTICE TO PROSPECTIVE LESSEE**

23 a. **THIS IS A BINDING PRELEASE AGREEMENT. BY SIGNING THIS**
24 **AGREEMENT, YOU WILL BECOME OBLIGATED TO ENTER INTO AN**
25 **AGREEMENT WITH THE PROSPECTIVE LESSOR TO LEASE THE VEHICLE**

1 DESCRIBED IN THIS AGREEMENT WHEN IT IS AVAILABLE AND READY TO
2 BE DELIVERED TO YOU, UPON LEASE TERMS DISCLOSED IN THIS
3 AGREEMENT OR IN THE ATTACHED DISCLOSURE STATEMENT, IF ANY.

4 b. DO NOT SIGN THIS AGREEMENT BEFORE YOU READ IT, INCLUDING
5 THE WRITING ON THE REVERSE SIDE.

6 c. DO NOT SIGN THIS IF IT CONTAINS ANY BLANK SPACES.

7 d. YOU ARE ENTITLED TO AN EXACT COPY OF ANY AGREEMENT YOU
8 SIGN.

9 (c) An exact copy of the prelease agreement shall be furnished by the
10 prospective lessor to the prospective lessee at the time that the prospective lessee
11 signs the agreement. The prospective lessee's copy of the agreement shall contain
12 the signature of the prospective lessor identical with the signature on the original
13 contract. No agreement shall be signed in blank except that a detailed description
14 of the motor vehicle, including the serial number or other identifying marks of the
15 vehicle, that is not available at the time of execution of such agreement may be
16 omitted.

17 (d) A prospective lessor may cancel a prelease agreement that is contingent
18 upon approval of the prospective lessee's credit by a sales finance company to whom
19 the prospective lessor intends to assign the consumer lease, if the agreement
20 contains a provision requiring the prospective lessor to give the prospective lessee
21 written notice of such cancellation within 10 business days of execution of the
22 agreement and the notice is given to the prospective lessee.

23 (e) No prelease agreement may contain a clause which, upon nonacceptance of
24 the vehicle by the prospective lessee, would subject the prospective lessee to a

1 penalty greater than 5% of the capitalized cost, as defined in s. 429.104 (5), of the
2 vehicle.

3 **SECTION 43.** 218.01 (7b) of the statutes, as affected by 1995 Wisconsin Act 27,
4 is amended to read:

5 218.01 (7b) (title) PURCHASE OR LEASE OF MOTOR VEHICLE BY MINOR. No minor
6 shall purchase or lease any motor vehicle unless the minor, at the time of purchase
7 or lease, submits to the seller or lessor a statement verified before a person
8 authorized to administer oaths and made and signed by either parent of the
9 purchaser or lessee, if such parent has custody of the minor or, if neither parent has
10 custody, then by the person having custody, setting forth that the purchaser or lessee
11 has consent to purchase or lease the vehicle. The signature on the statement shall
12 not impute any liability for the purchase price of the motor vehicle or for any
13 payments under the consumer lease to the consenting person. The statement shall
14 not adversely affect any other arrangement for the assumption of liability for the
15 purchase price or any lease payments which the consenting person may make. The
16 If a vehicle is purchased by a minor, the signed statement shall accompany the
17 application for a certificate of title and shall be filed by the department of
18 transportation with the application. Failure to obtain the consent or to forward it,
19 together with the application for a certificate of title in the event of the purchase of
20 a motor vehicle, shall not void the contract of sale or consumer lease of a motor vehicle
21 in the hands of an innocent holder, without notice, for value and in the ordinary
22 course of business. Any person who sells or leases a motor vehicle to a minor with
23 knowledge of such fact without procuring such a statement may be fined not more
24 than \$200 or imprisoned not more than 6 months or both.

25 **SECTION 44.** 218.01 (9) (b) of the statutes is amended to read:

1 218.01 (9) (b) Any retail buyer, lessee or prospective lessee suffering pecuniary
2 loss because of a violation by a licensee of sub. (3) (a) 4., 5., 6., 8., 9., 10., 11., 18., 25.
3 or 31. may recover damages for the loss in any court of competent jurisdiction
4 together with costs, including reasonable attorney fees.

5 **SECTION 45.** 344.51 (title) of the statutes is amended to read:

6 **344.51 (title) Financial responsibility for domestic rented or leased**
7 **vehicles.**

8 **SECTION 46.** 344.51 (1) of the statutes is amended to read:

9 344.51 (1) No person may for compensation rent or lease any motor vehicle to
10 be operated by or with the consent of the person renting or leasing the vehicle unless
11 there is filed with the department a good and sufficient bond or policy of insurance
12 issued by an insurer authorized to do an automobile liability insurance or surety
13 business in this state. The bond, policy or certificate shall provide that the insurer
14 which issued it will be liable for damages caused by the negligent operation of the
15 motor vehicle in the amounts set forth in s. 344.01 (2) (d). No person complying with
16 this subsection is liable for damages caused by the negligent operation of the motor
17 vehicle.

18 **SECTION 47.** 344.51 (2) of the statutes is amended to read:

19 344.51 (2) Any person failing to comply with this section is directly liable for
20 all damages caused by the negligence of the person operating such rented or leased
21 vehicle ~~to the extent that such liability could have been established if this section had~~
22 ~~been complied with, but such liability may not exceed the limits set forth in s. 344.01~~
23 (2) (d) with respect to the acceptable limits of liability when furnishing proof of
24 financial responsibility.

25 **SECTION 48.** 421.103 (2) of the statutes is amended to read:

1 421.103 (2) Unless terms used in chs. 421 to 427 are defined by particular
2 provisions of chs. 421 to 427, they shall have the meaning given them in chs. 401 to
3 411 and 429, if they are defined in chs. 401 to 411 or 429.

4 **SECTION 49.** 421.103 (5) of the statutes is created to read:

5 421.103 (5) Unless superseded by the particular provisions of ch. 429, chs. 421
6 to 427 apply to motor vehicle consumer leases.

7 **SECTION 50.** 421.201 (5) of the statutes is amended to read:

8 421.201 (5) Subchapters I and II of ch. 425, relating to creditors' remedies,
9 including applicable penalties, apply to actions or other proceedings brought in this
10 state to enforce rights arising from consumer transactions or extortionate extensions
11 of credit, wherever made, but conduct, action or proceedings to recover collateral or
12 goods subject to a motor vehicle consumer lease shall be governed by the law of the
13 state where the collateral is or goods subject to a motor vehicle consumer lease are
14 located at the time of its recovery unless the collateral is or goods subject to a motor
15 vehicle consumer lease are owned by a Wisconsin resident, who has removed it the
16 collateral or goods from this state only for purposes of transportation to or use in the
17 resident's employment or for temporary periods which do not exceed 15 days.

18 **SECTION 51.** 421.202 (6) of the statutes is amended to read:

19 421.202 (6) Consumer credit transactions in which the amount financed
20 exceeds \$25,000, motor vehicle consumer leases in which the total lease obligation
21 exceeds \$25,000 or other consumer transactions in which the cash price exceeds
22 \$25,000;

23 **SECTION 52.** 421.202 (7) of the statutes is amended to read:

24 421.202 (7) Transactions subject to ch. 428; ~~or~~

25 **SECTION 53.** 421.202 (8) of the statutes is amended to read:

1 421.202 (8) Transactions in securities accounts or securities transactions by or
2 with a broker-dealer, as defined in s. 551.02 (3), licensed under ch. 551; or

3 **SECTION 54.** 421.202 (9) of the statutes is created to read:

4 421.202 (9) Leases of motor vehicles that are not motor vehicle consumer leases
5 under s. 421.301 (25m).

6 **SECTION 55.** 421.301 (20) (intro.) of the statutes is amended to read:

7 421.301 (20) (intro.) “Finance charge” means the sum of all charges, payable
8 directly or indirectly by the customer as an incident to or as a condition of the
9 extension of credit, whether paid or payable by the customer, the creditor or any other
10 person on behalf of the customer to the creditor or to a 3rd party unless the creditor
11 had no notice or knowledge of the charges paid or payable to the 3rd party. The term
12 does not include any charge with respect to a motor vehicle consumer lease. The term
13 includes the following types of charges to the extent they are not permitted
14 additional charges under s. 422.202 ~~or~~, delinquency charges (under s. 422.203) or
15 deferral charges (under s. 422.204):

16 **SECTION 56.** 421.301 (25m) of the statutes is created to read:

17 421.301 (25m) “Motor vehicle consumer lease” has the meaning given for
18 “consumer lease” in s. 429.104 (9).

19 **SECTION 57.** 421.301 (35) of the statutes is amended to read:

20 421.301 (35) “Precomputed” with respect to a consumer credit transaction
21 means a consumer credit transaction, other than a motor vehicle consumer lease, in
22 which debt is expressed as a single sum comprised of the amount financed and the
23 finance charge computed in advance.

24 **SECTION 58.** 421.301 (43m) of the statutes is created to read:

1 421.301 (**43m**) "Total lease obligation" means the sum of the following with
2 respect to a motor vehicle consumer lease:

3 (a) All scheduled periodic payments under the lease.

4 (b) Capitalized cost reduction, as defined in s. 429.104 (6).

5 **SECTION 59.** 422.201 (4) of the statutes is repealed.

6 **SECTION 60.** 422.201 (7) (intro.) and (a) of the statutes are amended to read:

7 422.201 (**7**) (intro.) Subject to classifications and differentiations the merchant
8 may reasonably establish, the merchant may make the same finance charge on all
9 amounts financed within a specified range. A finance charge so made does not violate
10 sub. (2), or (3) ~~or~~ (4) as the case may be if:

11 (a) When applied to the median amount within each range, it does not exceed
12 the maximum permitted by sub. (2), or (3) ~~or~~ (4) as the case may be; and

13 **SECTION 61.** 422.201 (8), (9) and (12) of the statutes are amended to read:

14 422.201 (**8**) That portion of the finance charge consisting of an amount equal
15 to a discount of 5% or less of the stated price which is offered to induce payment in
16 full within a stated period of time in connection with a sale for agricultural purposes
17 or a sale of particular goods and services for which credit is not otherwise available
18 from the merchant shall not be included in the finance charge for the purpose of
19 determining the maximum rate of finance charge under sub. (2), or (3) ~~or~~ (4) with
20 respect to a customer who does not pay in full within such time.

21 (**9**) Notwithstanding sub. (2), or (3) ~~or~~ (4), a merchant may contract for and
22 receive a minimum finance charge with respect to a transaction other than one
23 pursuant to an open-end credit plan, of not more than \$5 when the amount financed
24 does not exceed \$75, or \$7.50 when the amount financed exceeds \$75.

1 (12) ~~Except as provided in sub. (4), this~~ This section does not apply to a
2 consumer credit transaction primarily for an agricultural purpose if the transaction
3 occurs on or after April 6, 1980.

4 **SECTION 62.** 422.201 (12m) of the statutes is renumbered 422.201 (12m) (intro.)
5 and amended to read:

6 422.201 (12m) (intro.) This section does not apply to ~~consumer~~ any of the
7 following:

8 (b) Consumer credit sales of or consumer loans secured by a first lien on or
9 equivalent security interest in mobile homes as defined in s. 218.10 (2), if the sales
10 or loans are made on or after November 1, 1981.

11 **SECTION 63.** 422.201 (12m) (a) of the statutes is created to read:

12 422.201 (12m) (a) Motor vehicle consumer leases.

13 **SECTION 64.** 422.202 (1) (e) of the statutes is created to read:

14 422.202 (1) (e) With respect to a motor vehicle consumer lease, any reasonable
15 fee or charge that, if disclosed in writing to the prospective lessee before execution
16 of the motor vehicle consumer lease, is agreed upon by the lessor and lessee and that
17 is not prohibited by chs. 421 to 427 and 429.

18 **SECTION 65.** 422.207 (1) of the statutes is amended to read:

19 422.207 (1) With respect to a consumer credit transaction the parties may, to
20 the extent not prohibited by chs. 421 to 427 or 429, agree that the customer will
21 perform certain duties with respect to preserving or insuring collateral or goods
22 subject to a motor vehicle consumer lease, if such duties are reasonable in relation
23 to the risk of loss of or damage to the collateral or goods. If the customer fails to so
24 perform the creditor may, if authorized by the agreement, pay for the performance
25 of such duties on behalf of the customer. The amount paid may be added to the

1 unpaid balance of the customer's obligation, if, in the absence of performance, the
2 merchant has made all expenditures on behalf of the customer in good faith and in
3 a commercially reasonable manner and except in the case of a transaction for an
4 agricultural purpose where the collateral is perishable and threatens to decline
5 speedily in value, the merchant has given the customer written notice of the
6 nonperformance and reasonable opportunity after such notice to so perform.

7 **SECTION 66.** 422.207 (3) of the statutes is amended to read:

8 422.207 (3) A finance charge may be made for sums advanced pursuant to sub.
9 (1) at a rate not exceeding the rate stated to the customer pursuant to the provisions
10 on disclosure in subch. III, or if no disclosure is required then at the annual rate of
11 finance charge assessed on that transaction. With respect to an open-end credit plan
12 the amount of the advance may be added to the unpaid balance of the account and
13 the merchant may make a finance charge not exceeding that permitted by s. 422.201.
14 This subsection does not apply to a motor vehicle consumer lease.

15 **SECTION 67.** 422.208 of the statutes is amended to read:

16 **422.208 Right to prepay.** Subject to s. 422.209 and, with respect to a motor
17 vehicle consumer lease, s. 429.207, the customer may prepay in full or in any part,
18 at any time without penalty, the unpaid balance of any consumer credit transaction
19 other than a transaction secured by a first lien mortgage or equivalent security
20 interest on real estate with an original term of 10 years or more and on which the
21 annual percentage rate disclosed pursuant to subch. III is 10% or less.

22 **SECTION 68.** 422.303 (3) (intro.) of the statutes is amended to read:

23 422.303 (3) (intro.) Except as provided in ~~sub.~~ subs. (3m) and (4), every writing
24 evidencing the customer's obligation to pay under a consumer credit transaction,
25 other than one pursuant to an open-end credit plan, shall contain immediately above

1 or adjacent to the place for the signature of the customer, a clear, conspicuous,
2 printed or typewritten notice in substantially the following language:

3 **SECTION 69.** 422.303 (3m) of the statutes is created to read:

4 422.303 **(3m)** Except as provided in sub. (4), every writing evidencing the
5 customer's obligation to pay under a motor vehicle consumer lease shall contain
6 immediately above or adjacent to the place for the signature of the customer, a clear,
7 conspicuous, printed or typewritten notice in substantially the following language:

8 **NOTICE TO LESSEE**

9 (a) THIS IS A MOTOR VEHICLE CONSUMER LEASE. YOU HAVE NO
10 OWNERSHIP RIGHTS IN THE VEHICLE UNLESS THIS LEASE CONTAINS A
11 PURCHASE OPTION AND YOU EXERCISE YOUR OPTION TO PURCHASE THE
12 VEHICLE.

13 (b) DO NOT SIGN THIS LEASE BEFORE YOU READ IT, INCLUDING THE
14 WRITING ON THE REVERSE SIDE.

15 (c) DO NOT SIGN THIS IF IT CONTAINS ANY BLANK SPACES.

16 (d) EARLY TERMINATION OF THIS LEASE MAY REQUIRE YOU TO PAY
17 A SUBSTANTIAL AMOUNT.

18 (e) YOU ARE ENTITLED TO A COMPLETED COPY OF THIS LEASE WHEN
19 YOU SIGN IT.

20 **SECTION 70.** 422.413 (1) of the statutes is amended to read:

21 422.413 **(1)** Except as provided in subs. (2) and (2g), no term of a writing
22 evidencing a consumer credit transaction may provide for any charges as a result of
23 default by the customer other than reasonable expenses incurred in the disposition
24 of collateral or goods subject to a motor vehicle consumer lease and such other
25 charges as are specifically authorized by chs. 421 to 427 and 429.

1 **SECTION 71.** 422.417 (2) of the statutes is amended to read:

2 422.417 (2) With respect to a consumer lease, except as otherwise provided in
3 s. 429.205 with respect to a motor vehicle consumer lease, a lessor may not take a
4 security interest in any property of owned or leased by the customer other than the
5 leased goods to secure the lessor's obligations under the lease. This subsection does
6 not prohibit a security interest in a cash security deposit for a consumer lease of
7 motor vehicles or agricultural equipment.

8 **SECTION 72.** 424.201 (1) and (2) of the statutes are amended to read:

9 424.201 (1) Insurance issued as an isolated transaction on the part of the
10 insurer not related to an agreement or plan for insuring customers of the creditor;
11 ~~or~~

12 (2) Insurance indemnifying the creditor against loss due to the customer's
13 default; or

14 **SECTION 73.** 424.201 (3) of the statutes is created to read:

15 424.201 (3) With respect to a motor vehicle consumer lease, a lessor's waiver
16 of its contractual right to hold the lessee liable for any or all of the gap amount, as
17 defined in s. 429.104 (12), if the waiver is granted without a separate charge.

18 **SECTION 74.** 425.106 (1) (intro.) of the statutes is amended to read:

19 425.106 (1) (intro.) Except to the extent that the merchant has a valid security
20 interest which is permitted by chs. 421 to 427 and 429 or has a lien under ch. 779 in
21 such property, or where the transaction is for medical or legal services and there has
22 been no finance charge actually imposed, the following property of the customer shall
23 be exempt from levy, execution, sale, and other similar process in satisfaction of a
24 judgment for an obligation arising from a consumer credit transaction:

25 **SECTION 75.** 425.107 (4) of the statutes is amended to read:

1 **429.104 Definitions.** In this chapter:

2 (1) “Adjusted capitalized cost” means the amount computed by subtracting
3 from capitalized cost any capitalized cost reduction.

4 (2) “Average periodic depreciation” means the adjusted capitalized cost, after
5 first subtracting the residual value, divided by the number of lease-payment periods
6 or, for a single-payment lease, the number of months in the term of the lease.

7 (3) “Average periodic lease charge” means the lease charge for the originally
8 scheduled term of the consumer lease divided by the number of lease-payment
9 periods or, for a single-payment lease, the number of months in the term of the lease.

10 (4) “Base lease payment” means an amount determined as follows:

11 (a) With respect to a single-payment lease, the product of the number of
12 months in the term of the lease multiplied by the sum of the average periodic lease
13 charge and the average periodic depreciation.

14 (b) With respect to a lease other than a single-payment lease, the sum of the
15 average periodic lease charge and the average periodic depreciation.

16 (5) “Capitalized cost” means all costs capitalized in the consumer lease that,
17 after subtracting the capitalized cost reduction, amortizes to the residual value of the
18 depreciation portion of the periodic lease payments over the unexpired term of the
19 lease or, for a single-payment lease, the single payment. These costs may include
20 taxes; fees for registration, license, acquisition, administration and assignment;
21 other fees; and charges for insurance, for a waiver of the contractual obligation to pay
22 the gap amount, for accessories and their installation, for other services and benefits
23 incidental to the consumer lease, and for delivering, servicing, repairing or
24 improving the vehicle. With respect to a vehicle or other property traded in
25 connection with a consumer lease, the term includes the outstanding unpaid balance

1 of the amount financed under a consumer loan, as defined in s. 421.301 (12), or a
2 retail instalment contract, as defined in s. 218.01 (1) (t), or the unpaid balance of any
3 early termination costs under a lease or other obligation of the lessee. The term does
4 not include any lease charge.

5 (6) "Capitalized cost reduction" means the sum, at the time of inception of the
6 consumer lease, of any payments made by cash, check, rebates or the like that
7 constitute a downpayment made by the lessee and the amount credited the lessor for
8 any trade-in. The term does not include any base lease payments due at the
9 inception of the consumer lease.

10 (7) "Conspicuous" means that the term or clause is so written as to be
11 distinguished from other terms or clauses by type size or in some other manner. The
12 term includes any writing in at least 10-point boldface type.

13 (9) "Consumer lease" or "lease" means a lease entered into in this state that
14 transfers the right of possession and use by a natural person of a vehicle primarily
15 for a personal, family, household or agricultural purpose, for a period of time
16 exceeding 4 months, if the total lease obligation, excluding any option to purchase
17 or otherwise become owner of the vehicle at the expiration of the consumer lease,
18 does not exceed \$25,000. The term does not include a credit sale, as defined under
19 12 CFR 226.2 (a) (16).

20 (10) "Early termination" means termination of a consumer lease before the
21 termination date set forth in the consumer lease.

22 (11) "Federal consumer leasing act" means the federal consumer leasing act,
23 15 USC 1667 et seq., and regulations issued under that act.

24 (12) "Gap amount" means the difference between the amount specified in the
25 consumer lease to be paid to the lessor by the lessee in the event of total loss or

1 destruction of the leased vehicle prior to expiration of the lease by theft, physical
2 damage, or other occurrence specified in the lease, and the actual cash value or
3 portion thereof received by the lessor from insurance proceeds or from any other
4 person on account of the total loss or destruction of the vehicle. The term does not
5 include any deductible amount applicable to any insurance policy maintained by the
6 lessee, any past-due payments owed by the lessee at the time of receipt by the lessor
7 of the actual cash value or portion thereof from insurance proceeds or from any other
8 person, or any other amount due under the lease resulting from default by the lessee.

9 **(13)** "Gap protection" means a provision in a consumer lease under which the
10 lessor agrees, for a charge, to waive the gap amount or provide that another person
11 shall be liable for the gap amount.

12 **(14)** "Group credit insurance" means group credit life insurance, group credit
13 accident insurance, group credit accident and health insurance, group disability
14 insurance or group credit unemployment insurance.

15 **(15)** "Holder" means, with respect to a consumer lease, the lessor and, upon
16 assignment of the lease, the assignee for the period of assignment. The term does
17 not include a pledgee under the consumer lease or the owner or beneficiary of an
18 interest in a trust that owns consumer leases.

19 **(16)** "Lease charge" means the sum of all charges, calculated by a lessor on any
20 basis, payable by the lessee for the privilege of making the scheduled lease payments
21 under a consumer lease. The term does not include capitalized cost.

22 **(17)** "Lessee" means a natural person who leases a vehicle from a lessor under
23 a consumer lease.

24 **(18)** "Lessor" means a person regularly engaged in the business of leasing or
25 selling vehicles who leases a vehicle to a lessee under a consumer lease.

1 **(19)** “Motor vehicle” has the meaning given in s. 218.01 (1) (m).

2 **(20)** “Periodic” means weekly, monthly, quarterly or any other period of time
3 specified in a consumer lease.

4 **(22)** “Realized value” means, with respect to a leased vehicle that has been
5 appraised under s. 429.206, the fair market value of the vehicle or an amount agreed
6 upon between the lessor and the lessee and, with respect to any other leased vehicle,
7 means the greatest of the following:

8 (a) The price obtained by the holder for disposition of the vehicle, after
9 subtracting all actual and reasonable expenses incurred by the lessor in connection
10 with disposition of the vehicle.

11 (b) Insurance proceeds received by the holder in the event of the total loss or
12 destruction of the vehicle.

13 (c) The highest bona fide offer received by the holder for disposition of the
14 vehicle.

15 **(23)** “Renegotiation” means the replacement of an existing consumer lease by
16 a new consumer lease between the same parties, including an assignee of the lessor.
17 The term does not include a deferral or extension of any periodic lease payments or
18 portions thereof not exceeding 6 months in the aggregate, a replacement of a
19 consumer lease involving a court proceeding or the settlement of a dispute, or any
20 other action that does not constitute a renegotiation under the federal consumer
21 leasing act.

22 **(24)** “Residual value” means the estimated value of the leased vehicle at the
23 expiration of the lease.

24 **(25)** “Single-payment lease” means a consumer lease that requires only one
25 payment, to be paid at the time of commencement of the lease.

1 (a) That the contract price establishes the value of the vehicle for purposes of
2 determining the capitalized cost reduction or, if the parties fail to execute a consumer
3 lease, the amount due the prospective lessee for the vehicle.

4 (b) That the prospective lessee agrees to leave the contract price on deposit with
5 the prospective lessor pending the execution of a consumer lease between the parties
6 with respect to a vehicle to be ordered from a manufacturer, including a vehicle not
7 yet in production as of the date of sale.

8 (c) That the prospective lessee shall be entitled to payment of the contract price
9 from the prospective lessor no later than 75 days after the date of sale, unless the
10 parties have executed a consumer lease or the prospective lessee has already
11 received such payment.

12 **429.203 Requirements of a consumer lease.** (1) A consumer lease shall
13 be in writing and signed by the lessor and the lessee.

14 (2) Except as otherwise provided in this subsection, the printed portion of a
15 consumer lease, other than instructions for its completion, shall be in at least 8-point
16 type. The consumer lease shall contain all of the following printed in a clear and
17 conspicuous manner:

18 (a) At the top of the consumer lease, the words "MOTOR VEHICLE LEASE
19 AGREEMENT" in at least 10-point type.

20 (b) 1. Except as provided in subd. 2., if no liability insurance for bodily injury
21 or property damage is provided for under the consumer lease, a notice in
22 substantially the following language in bold-faced capital letters of not less than
23 10-point type: "NO LIABILITY INSURANCE FOR BODILY INJURY OR
24 PROPERTY DAMAGE IS INCLUDED IN THIS AGREEMENT."

1 2. The notice required under subd. 1. may be provided on a separate document
2 delivered to the prospective lessee not later than the time of execution of the
3 consumer lease.

4 **(3)** The consumer lease shall contain all of the following disclosures:

5 (a) The capitalized cost, using the term “capitalized cost”, and an explanation
6 of the term in substantially the following language: “Capitalized cost is the
7 agreed-upon amount determined at the inception of the consumer lease for all items
8 and services included in the lease.”

9 (b) Any capitalized cost reduction, using the term “capitalized cost reduction”.

10 (c) The adjusted capitalized cost, using the term “adjusted capitalized cost”,
11 and an explanation of the term, as applicable, in substantially the following
12 language: “The adjusted capitalized cost is the agreed-upon amount that serves as
13 the basis for determining the base lease payment. If you are not in default on the
14 consumer lease, this amount (plus any applicable early termination charges)
15 determines your maximum early termination obligation.”

16 (d) The residual value of the vehicle, using the term “residual value”.

17 (e) The standards to be applied by the holder in determining the excess wear
18 and damage to the vehicle for which the lessee shall be held liable, subject to s.
19 429.208. These standards shall comply with the federal consumer leasing act.

20 (f) Any disclosure required under s. 422.303 (3m).

21 (g) Any other disclosure required by the federal consumer leasing act.

22 **(4)** The consumer lease shall contain the names of the lessor and the lessee; the
23 place of business of the lessor; the place of business or residence of the lessee, as
24 specified by the lessee; and a detailed description of the vehicle, including the year,

1 make, model and, if known, serial or identification number or other identifying
2 marks.

3 (5) The lessor shall deliver to the lessee a completed copy of the consumer lease
4 signed by both parties. Any acknowledgement of delivery of a copy of the consumer
5 lease by the lessee shall be conspicuous and appear directly above the space reserved
6 for the signature of the lessee.

7 (6) (a) Any policy of bodily injury and property damage liability insurance with
8 respect to operation of the leased vehicle for which a charge is included in the
9 consumer lease shall be issued by an insurer authorized to transact business in this
10 state.

11 (b) The lessee shall have the right of purchasing a policy of bodily injury and
12 property damage liability insurance with respect to operation of the leased vehicle
13 from an insurance agent or broker selected by the lessee, if the insurer selected to
14 issue the policy is acceptable to the lessor. If a lessee purchases an insurance policy
15 under this paragraph, the lessor may include a charge for an applicable insurance
16 premium in the consumer lease and, if such charge is included in the consumer lease,
17 has no obligation to send or cause to be sent to the lessee a copy of the applicable
18 insurance policy.

19 (c) If any liability insurance policy or other insurance on the vehicle is canceled,
20 a refund of any insurance premium paid for the insurance that is received by the
21 holder from the insurer shall be refunded to the lessee or credited, together with that
22 portion of the lease charge applicable to such refund, to the lessee's outstanding
23 obligations under the consumer lease, including to any remaining lease payments or,
24 at the option of the holder, to the existing obligations of the lessee upon expiration,
25 termination or cancellation of the consumer lease. A refund or credit under this

1 paragraph is not required if the amount of the refund or credit would be less than \$1
2 or is applied toward the purchase of similar liability insurance protecting the
3 interests of the lessee or holder.

4 (7) A holder may purchase or sell, or otherwise acquire or transfer, an interest
5 in a consumer lease or a vehicle subject to a consumer lease, on such terms and
6 conditions as may be mutually agreed upon by the parties to the sale, transfer or
7 acquisition. No filing of the sale, transfer or acquisition, or any requirement that the
8 holder be deprived of any payments due with respect to the consumer lease or, if
9 subject to replevin or otherwise returned to the holder, the vehicle, shall be necessary
10 to the validity of any written bill of sale or other instrument of transfer of the interest
11 in a consumer lease as against creditors, subsequent purchasers, pledgees,
12 encumbrancers, mortgagees, successors or assigns.

13 (8) (a) Upon written request from a lessee, the holder shall give or forward to
14 the lessee a written statement that specifies, without regard to the value of the leased
15 vehicle, the projected obligation that the lessee will incur in the event of early
16 termination of the consumer lease.

17 (b) No charge may be imposed or collected for the preparation of one statement
18 under par. (a) in a 12-month period. A holder may impose and collect a reasonable
19 charge, not exceeding \$20 per statement, for the preparation of a 2nd or subsequent
20 statement under par. (a) in a 12-month period, if the charge has been disclosed to the
21 lessee either orally or in writing prior to preparation of a statement under this
22 paragraph.

23 (9) A holder is not required to pay interest on any security deposit under the
24 consumer lease.

1 (10) No consumer lease may contain a clause which, upon nonacceptance of the
2 vehicle by the lessee, would subject the lessee to a penalty greater than 5% of the
3 capitalized cost of the vehicle.

4 (11) If applicable, the consumer lease shall comply with s. 218.01 (7b).

5 (12) Any provision of a consumer lease in violation of this chapter is void and
6 unenforceable, but shall not affect the validity of any other provision of the consumer
7 lease.

8 **429.204 Gap amount; notice; waiver.** (1) If a consumer lease provides that
9 the lessee is responsible for any or all of the gap amount, the consumer lease shall
10 disclose this information, using the term "gap amount". The acceptance of a
11 consumer lease may not be conditioned upon the lessee's agreement to gap
12 protection.

13 (2) (a) A lessor may waive any right under the consumer lease to hold a lessee
14 liable for any or all of the gap amount. The consumer lease may contain a separate
15 charge for the waiver under this paragraph if the charge is clearly and conspicuously
16 disclosed to the lessee, and the consumer lease also contains a clear and conspicuous
17 notice stating that, for such separate charge, the lessor agrees to waive such
18 contractual right and that, in lieu of such separate charge, the lessee may purchase
19 insurance from an insurer authorized to transact business in this state insuring the
20 lessee for any or all of the gap amount. A waiver under this paragraph without a
21 separate charge is not consumer credit insurance, as defined in s. 424.201, or
22 insurance on property.

23 (b) A lessee is not liable for a separate charge or for any or all of the gap amount
24 if the consumer lease fails to provide the notice required by par. (a).

1 **(3)** A lessor's waiver under sub. (2) may be conditioned upon payment of any
2 of the following:

3 (a) The separate charge, if any, for the waiver.

4 (b) All amounts due under the consumer lease as of the date of receipt by the
5 lessor of insurance proceeds or the amount specified in the consumer lease to be paid
6 by the lessee in the event of total loss or destruction of the leased vehicle or, if the
7 consumer lease does not specify the applicable date of receipt, as of the date of total
8 loss or destruction of the leased vehicle.

9 (c) An amount from the lessee equal to any deductible amount under an
10 applicable liability insurance policy and any other subtractions specified in such
11 insurance policy.

12 (d) Insurance proceeds from the applicable liability insurance policy required
13 under the consumer lease or the equivalent amount with respect to the value of the
14 vehicle.

15 **429.205 Security interest. (1)** No consumer lease, or any other document
16 executed by a lessee in connection with a consumer lease, shall create a security
17 interest in any real or personal property of the lessee to secure payment of any
18 obligations assumed by the lessee under the consumer lease. This subsection does
19 not apply to any of the following:

20 (a) The taking of a security deposit, advance lease payment or other
21 prepayment by cash, check, credit card or other device.

22 (b) Any right of setoff.

23 (c) Any security interest in the leased vehicle or in any proceeds, refunds for
24 cancellation or any other rights of the lessee with respect to the consumer lease or

1 the leased vehicle, including any insurance contracts, gap protection contracts,
2 repair contracts and extended warranty or maintenance service contracts.

3 (2) Any security interest taken in violation of this section is void and
4 unenforceable, but shall not otherwise affect the validity of the consumer lease.

5 **429.206 Realized value at lease termination.** (1) If a consumer lease is
6 terminated before the termination date set forth in the lease and, for a lease with an
7 option to purchase, the lessee does not exercise the option to purchase, the holder
8 shall act in a commercially reasonable manner when disposing of the leased vehicle
9 or obtaining cash bids on the leased value for the purpose of establishing the vehicle's
10 realized value. Within 5 business days of early termination of the consumer lease,
11 a lessee who is not in default and, if applicable, does not exercise the option to
12 purchase may obtain at his or her own expense a professional appraisal of the current
13 wholesale value of the vehicle by an appraiser mutually agreeable to the lessee and
14 the holder. An appraisal under this subsection shall be final and binding, and shall
15 establish the vehicle's realized value for purposes of determining the liability of the
16 lessee under the consumer lease. Nothing in this subsection shall be construed to
17 prohibit the lessee and the lessor from mutually agreeing upon the vehicle's realized
18 value, which shall be final and binding for purposes of determining the liability of
19 the lessee under the consumer lease.

20 (2) Notwithstanding sub. (1), in the event of total loss or destruction of the
21 leased vehicle occasioned by its theft, physical damage or other occurrence specified
22 in the consumer lease prior to the termination date set forth in the consumer lease,
23 the vehicle's realized value is the sum of the insurance proceeds from the applicable
24 liability insurance policy required under the consumer lease or from any other party
25 in payment for the loss or destruction, and any deductible amount under such policy.

1 **429.207 Restrictions on early termination obligation.** (1) The lessee has
2 the right to terminate the consumer lease at any time.

3 (2) If a consumer lease is terminated before the termination date set forth in
4 the consumer lease and no applicable option to purchase is exercised by the lessee,
5 the early termination obligation of the lessee may not exceed an amount equal to the
6 sum of the following amounts:

7 (a) Any unpaid lease payments that have accrued as of the date of termination
8 of the consumer lease.

9 (b) Any other amounts unpaid by the lessee, other than excess mileage charges,
10 arising under the terms of the consumer lease or permitted under this chapter or chs.
11 421 to 427.

12 (c) Any official fees and taxes imposed in connection with termination of the
13 consumer lease.

14 (d) The amount set forth in the consumer lease as a disposition fee, not to exceed
15 the average periodic lease charge. If the lease payment period for a consumer lease
16 other than a single-payment lease is not monthly, the average periodic lease charge
17 for purposes of this paragraph shall be computed on a monthly basis.

18 (e) The reasonable costs of retaking, storing, preparing for sale and selling the
19 vehicle, to the extent that such costs would be recoverable as default charges under
20 s. 422.413.

21 (f) Any amount by which the outstanding unpaid balance of the lease charge
22 over the unexpired term of the lease exceeds the realized value. The outstanding
23 unpaid balance of the lease charge may be calculated in accordance with any
24 generally accepted accounting principles, except that this balance may be calculated
25 on the basis of the adjusted capitalized cost for the unexpired term of the lease in

1 accordance with generally accepted actuarial principles if the consumer lease
2 provides for such calculation.

3 (3) A holder may credit against the balance of the lessee's early termination
4 obligation any refundable security deposit or advance lease payments held by the
5 holder. The excess of any refundable security deposit or advance lease payment over
6 the amount of the lessee's early termination obligation shall be promptly returned
7 to the lessee.

8 (4) This section does not limit or restrict the manner of calculating the lessee's
9 early termination obligation, if such obligation does not exceed the amount
10 calculated under sub. (2). Such manner may include calculation of the unamortized
11 capitalized cost, or the discounted present value of remaining lease payments,
12 multiples of monthly lease payments or payments on another periodic basis.

13 **429.208 Assessment of excess wear and damage.** (1) (a) Except as
14 provided in par. (b), a holder shall, upon return of a leased vehicle, conduct an
15 inspection to determine excess wear and damage to the vehicle for which the lessee
16 may be held liable. A holder may not prohibit the lessee from being present at such
17 inspection.

18 (b) If a lessee exercises an option to purchase in the consumer lease, the holder
19 may not demand, collect or receive a charge for excess wear and damage to the vehicle
20 and is not required to conduct the inspection under par. (a).

21 (2) Except as provided in subs. (4) and (5), a holder shall do all of the following
22 not later than 60 days after return of the vehicle:

23 (b) Provide to the lessee an itemized bill meeting the requirements under sub.
24 (3).

1 (c) Provide to the lessee a statement in substantially the following language:
2 “You are being asked to pay this amount for excess wear and damage to the leased
3 vehicle. If you do not agree with this amount and wish to preserve valuable rights,
4 you must obtain and deliver to us, within 5 days after hand delivery or 7 days after
5 mailing of this bill, an itemized counter-inspection, including an estimate of the cost
6 of repairing such excess wear and damage from an appraiser agreed to by us and, if
7 your lease has ended, payment of any excess wear and damage charges due under
8 the inspection that you obtained. If you properly obtain and deliver such appraisal
9 and tender any amounts due, such appraisal shall be binding on the holder. If you
10 fail to do so, the holder’s inspection shall be conclusive.”

11 (d) For the purpose of obtaining a counter-inspection under sub. (5), allow the
12 lessee access to the vehicle, at a reasonable time and place designated by the holder,
13 for the applicable time period specified in the statement under par. (c). A holder is
14 not required to deliver the vehicle to, or produce the vehicle at, a place designated
15 by the lessee for the purpose of the counter-inspection.

16 **(3)** (a) The itemized bill specified in sub. (2) (b) shall be based on the inspection
17 for excess wear and damage to the leased vehicle, and shall consist of a listing of
18 items of excess wear and damage, together with a charge for each item. The itemized
19 bill may be comprised of separate documents delivered or mailed separately, and may
20 include identified charges for other amounts due under the consumer lease, such as
21 excess mileage charges. A lessee does not assume liability for payment of any
22 amounts due or acknowledge any item of excess wear and damage specified in an
23 itemized bill by acknowledgement of receipt of the itemized bill.

24 (b) A holder is not required to provide to the lessee an itemized bill under sub.
25 (2) with respect to a counter-inspection under sub. (5).

1 **(4)** (a) If a lessee is required under the consumer lease, or given the option by
2 the lessor, to have a pretermination inspection by the holder of the leased vehicle for
3 excess wear and damage, the holder shall provide at least 15 days' notice of such
4 inspection to the lessee. A pretermination inspection under this paragraph may not
5 be earlier than 15 days before the termination date set forth in the consumer lease.
6 The notice shall specify that the holder's inspection after the termination of the lease
7 shall be conclusive unless the lessee obtains a counter-inspection under sub. (5).

8 (b) A pretermination inspection under par. (a) shall be reasonable as to time
9 and place. In addition to the statement under sub. (2) (c), any itemized bill of excess
10 wear and damage prepared under par. (a) shall include a statement in substantially
11 the following language: "If this inspection for excess wear and damage to the leased
12 vehicle was conducted prior to the termination date under the consumer lease, you
13 may avoid any excess wear and damage charges by having such items satisfactorily
14 repaired prior to the return of the vehicle. The holder may inspect the vehicle at or
15 after its return and may seek additional charges for excess wear and damage only
16 by written notice to you, and only for excess wear and damage incurred after the date
17 of that inspection. Any charges for excess wear and damage under this inspection
18 or your own inspection shall be due when the lease terminates."

19 **(5)** (a) A lessee may, at his or her own expense, obtain a counter-inspection for
20 excess wear and damage to the leased vehicle, within the applicable time period
21 specified in the statement under sub. (2) (c). A counter-inspection is not valid under
22 this section unless it satisfies all of the following requirements:

23 1. Is conducted by an inspector agreed to by the holder, with such agreement
24 not to be unreasonably withheld by the holder.

1 2. Is in writing in a form provided by, or acceptable to, the holder, listing any
2 items of excess wear and damage to the leased vehicle and, according to standards
3 set forth in the consumer lease, the estimated cost of repair of such items.

4 3. Is delivered to the holder within the applicable time period.

5 4. If conducted after the vehicle is returned to the lessee, is accompanied by
6 payment of the amount of such excess wear and damage charges listed on the
7 counter-inspection.

8 (b) Absent a mathematical mistake or other obvious error, a holder shall accept
9 the counter-inspection as conclusive of the lessee's excess wear and damage
10 obligations under the consumer lease.

11 (c) The total amount of the excess wear and damage charges specified in a
12 counter-inspection under par. (a) may not be increased at or after the termination
13 of the lease, except to increase the lessee's excess wear and damage obligation to the
14 extent that any excess wear and damage was obscured or concealed or is reasonably
15 believed by the holder to have occurred after such inspection. Any increase under
16 this paragraph is not valid unless the holder gives the lessee another itemized bill
17 and statement meeting the requirements of subs. (2) and (3).

18 **(6)** A lessee shall not be in default on the consumer lease for failing to obtain
19 a pretermination inspection or counter-inspection under this section,
20 notwithstanding any contrary provision of the consumer lease. If a lessee does not
21 obtain a pretermination inspection or counter-inspection, the itemized bill with
22 respect to the inspection under sub. (1) shall be conclusive.

23 **(7)** (a) A holder may not demand, receive or collect a charge for excess wear and
24 damage to the leased vehicle unless the holder substantially complies with this
25 section. The exclusive penalty for failure to substantially comply with this section

1 is a waiver of the right to collect all contested excess wear and damage charges from
2 the lessee.

3 (b) A holder is not required to send any notice under this section if the holder
4 does not wish to demand, receive or collect any excess wear and damage charges.

5 (c) Nothing in this section shall limit a lessee's obligation for excess mileage
6 charges or prohibit any agreement between the lessee and the holder relating to
7 excess wear and damage, if the agreement does not conflict with any of the lessee's
8 rights under this section, or limit a lessee's liability to the holder for odometer
9 tampering or for obscured or concealed structural or safety-related damage
10 discovered by the holder after the return of the vehicle or the receipt of an itemized
11 bill by the lessee.

12 **429.209 Renegotiations and extensions.** (1) All of the disclosure
13 requirements specified in s. 429.203 apply to the renegotiation of a consumer lease.
14 A renegotiation of a consumer lease does not create a warranty or subject the
15 transaction to any laws of this state relating to the sale of used motor vehicles.

16 (2) The disclosure requirements specified in s. 429.203 do not apply to any
17 extension of a consumer lease not exceeding 6 months in the aggregate.

18 SUBCHAPTER III

19 PENALTIES AND REMEDIES

20 **429.301 Penalties and remedies.** (1) Except as provided in s. 429.208 (7)
21 (a), a person who commits a violation of this chapter is liable to the lessee in an
22 amount equal to the sum of the following amounts:

23 (a) One hundred dollars.

24 (b) The actual damages, including any incidental and consequential damages,
25 sustained by the lessee by reason of the violation.

