



1997 ASSEMBLY BILL 433

June 24, 1997 - Introduced by Representatives FREESE, WARD, KUNICKI, HOVEN, OTTE, JOHNSRUD, ALBERS, OTT, M. LEHMAN and GOETSCH, cosponsored by Senators BRESKE, RUDE, GEORGE, HUELSMAN, SHIBILSKI and COWLES. Referred to Committee on Financial Institutions.

1 **AN ACT to repeal** 429.203 (2m) (form) (d) and 429.203 (3) (f); **to renumber**
2 429.203 (2m) (form) (e); **to renumber and amend** 218.01 (1) (ar), 429.104 (5)
3 and 429.104 (16); and **to amend** 218.01 (3) (a) 18., 218.01 (6x) (e), 429.104 (1),
4 429.104 (3), 429.104 (3m) (intro.), 429.104 (3m) (a), 429.104 (3m) (b), 429.104
5 (4) (intro.), 429.104 (4) (a), 429.104 (4) (b), 429.104 (6), 429.104 (24), 429.203 (3)
6 (a), 429.203 (3) (b), 429.203 (3) (c), 429.203 (3) (d), 429.203 (3) (e) 1., 429.203 (3)
7 (e) 2., 429.203 (6) (c), 429.207 (2) (f) 1. and 429.207 (2) (f) 2. of the statutes;
8 **relating to:** disclosures for motor vehicle consumer leases.

Analysis by the Legislative Reference Bureau

Current law requires that certain disclosures be included in certain consumer lease agreements for the lease of a motor vehicle. These requirements apply to leases of motor vehicles which: 1) are to be used primarily for a personal, family, household or agricultural purpose; 2) are for a term exceeding 4 months; and 3) have a total lease obligation, excluding any option to purchase, that does not exceed \$25,000. Under the federal Consumer Leasing Act, the federal reserve board has promulgated "Regulation M" (12 CFR Part 213), which also imposes disclosure requirements on certain motor vehicle lease agreements. The bill makes certain changes to conform the state law with changes in the federal regulations which will take effect on

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October 1, 1997. For example, the bill replaces the term “lease charge” with the term “rent charge” and replaces the term “base lease payment” with the term “base periodic payment”.

In addition, the bill repeals certain state law disclosure requirements that, while not directly in conflict with the federal disclosure requirements, overlap with them. For example, current state law requires a notice above the lessee’s signature which must read “Early termination of this lease may require you to pay a substantial amount.” The federal regulations require the following disclosure: “Early Termination: You may have to pay a substantial charge if you end this lease early. The charge may be up to several thousand dollars. The actual charge will depend on when the lease is terminated. The earlier you end the lease, the greater this charge is likely to be.” The bill repeals the state early termination disclosure. Similarly, the bill repeals state law requirements regarding the disclosure of the total payments due on the lease; these requirements differ somewhat from the “total of payments” disclosure required under the federal regulations. The bill also modifies certain disclosure requirements regarding the following: 1) the capitalized cost of the leased vehicle; 2) reductions in the capitalized cost of the leased vehicle; 3) adjusted capitalized cost of the leased vehicle; and 4) the residual value of the leased vehicle. The bill repeals disclosure requirements regarding the disclosure of the purchase price under any option to purchase the leased vehicle.

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 renumbered 218.01 (1) (jf) and
2 amended to read:

3 218.01 (1) (jf) “Capitalized Gross capitalized cost” has the meaning given in s.
4 429.104 (5) (13m).

5 **SECTION 2.** 218.01 (3) (a) 18. of the statutes is amended to read:

6 218.01 (3) (a) 18. Having accepted an order or contract of purchase from a buyer
7 or a consumer lease or prelease agreement from a lessee or prospective lessee if such
8 arrangement results in the practice of bushing. For the purpose of this section,
9 “bushing” means, with respect to an order or contract of purchase, the practice of
10 increasing the selling price of a motor vehicle above that originally quoted the
11 purchaser as evidenced by a purchase order or contract which has been signed by

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1 both the purchaser and dealer licensee and, with respect to a consumer lease or
2 prelease agreement, the practice of increasing the gross capitalized cost above that
3 originally quoted the lessee or prospective lessee as evidenced by a consumer lease
4 or prelease agreement which has been signed by both the lessee or prospective lessee
5 and the dealer licensee.

6 **SECTION 3.** 218.01 (6x) (e) of the statutes is amended to read:

7 218.01 (6x) (e) No prelease agreement may contain a clause which, upon
8 nonacceptance of the motor vehicle by the prospective lessee, would subject the
9 prospective lessee to a penalty greater than 5% of the gross capitalized cost of the
10 vehicle.

11 **SECTION 4.** 429.104 (1) of the statutes is amended to read:

12 429.104 (1) "Adjusted capitalized cost" means the amount computed by
13 subtracting from capitalized cost any capitalized cost reduction, for the purpose of
14 determining the base lease periodic payment.

15 **SECTION 5.** 429.104 (3) of the statutes is amended to read:

16 429.104 (3) "Average periodic lease rent charge" means the lease rent charge
17 for the scheduled term of the consumer lease divided by the number of payment
18 periods under the consumer lease or, for a single-payment lease, the number of
19 months in the term of the lease.

20 **SECTION 6.** 429.104 (3m) (intro.) of the statutes is amended to read:

21 429.104 (3m) (intro.) "Balance subject to a lease rent charge" means:

22 **SECTION 7.** 429.104 (3m) (a) of the statutes is amended to read:

23 429.104 (3m) (a) In the case of a lease other than a single-payment lease, the
24 amount calculated by subtracting from the adjusted capitalized cost the sum of the

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1 first base lease periodic payment and all depreciation amounts accrued during any
2 preceding payment periods.

3 **SECTION 8.** 429.104 (3m) (b) of the statutes is amended to read:

4 429.104 (3m) (b) In the case of a single-payment lease, the amount calculated
5 by subtracting the total lease rent charge from the sum of the residual value and all
6 lease rent charges accrued during any preceding computational periods.

7 **SECTION 9.** 429.104 (4) (intro.) of the statutes is amended to read:

8 429.104 (4) (intro.) “Base lease periodic payment” means an amount
9 determined as follows:

10 **SECTION 10.** 429.104 (4) (a) of the statutes is amended to read:

11 429.104 (4) (a) With respect to a single-payment lease, the product of the
12 number of months in the scheduled term of the lease multiplied by the sum of the
13 average periodic lease rent charge and the average periodic depreciation.

14 **SECTION 11.** 429.104 (4) (b) of the statutes is amended to read:

15 429.104 (4) (b) With respect to a lease other than a single-payment lease, the
16 sum of the average periodic lease rent charge and the average periodic depreciation.

17 **SECTION 12.** 429.104 (5) of the statutes is renumbered 429.104 (13m) and
18 amended to read:

19 429.104 (13m) “~~Capitalized~~ Gross capitalized cost” means the sum of all
20 amounts capitalized in the consumer lease that, after subtracting the capitalized
21 cost reduction, amortizes to the residual value by the depreciation portion of the
22 periodic lease payments over the scheduled term of the lease or, for a single-payment
23 lease, the single payment. These amounts may include taxes; fees for registration,
24 license, acquisition, administration and assignment; other fees; charges for
25 insurance, service contracts and extended warranties; and charges for a waiver of the

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1 contractual obligation to pay the gap amount, for accessories and their installation,
2 for other services and benefits incidental to the consumer lease, and for delivering,
3 servicing, repairing or improving the vehicle. With respect to a vehicle or other
4 property traded in connection with a consumer lease, the term may include the
5 outstanding unpaid balance of the amount financed under a consumer loan, as
6 defined in s. 421.301 (12), or a retail instalment contract, as defined in s. 218.01 (1)
7 (t), or the unpaid balance of any early termination costs under a lease or other
8 obligation of the lessee. The term does not include any lease rent charge.

9 **SECTION 13.** 429.104 (6) of the statutes is amended to read:

10 429.104 (6) “Capitalized cost reduction” means the sum, at the time of
11 inception of the consumer lease, of any payments made by cash, check, rebates or the
12 like that constitute a downpayment made by the lessee and the net amount credited
13 by the lessor for any trade-in. The term does not include any base lease periodic
14 payments due at the inception of the consumer lease.

15 **SECTION 14.** 429.104 (16) of the statutes is renumbered 429.104 (23m) and
16 amended to read:

17 429.104 (23m) “Lease Rent charge” means the sum of all charges payable by
18 the lessee for the privilege of making the scheduled lease payments under a
19 consumer lease. The term does not include gross capitalized cost.

20 **SECTION 15.** 429.104 (24) of the statutes is amended to read:

21 429.104 (24) “Residual value” means the estimated value of the leased vehicle
22 at the expiration of the lease term that is used in the consumer lease to determine
23 the depreciation portion of the base lease periodic payment.

24 **SECTION 16.** 429.203 (2m) (form) (d) of the statutes is repealed.

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1 **SECTION 17.** 429.203 (2m) (form) (e) of the statutes is renumbered 429.203 (2m)
2 (form) (d).

3 **SECTION 18.** 429.203 (3) (a) of the statutes is amended to read:

4 429.203 (3) (a) The gross capitalized cost, using the term “gross capitalized
5 cost”, and an explanation of the term in substantially the following language: “The
6 gross capitalized cost is the agreed-upon amount determined at the inception of the
7 consumer lease for all items and services included in the lease other than the charges
8 you pay for the privilege of making the scheduled lease payments value of the vehicle
9 (\$... [insert the agreed-upon value of the vehicle]) and any items that you pay over
10 the lease term (such as service contracts, insurance and any outstanding prior loan
11 or lease balance).”

12 **SECTION 19.** 429.203 (3) (b) of the statutes is amended to read:

13 429.203 (3) (b) Any capitalized cost reduction, using the term “capitalized cost
14 reduction”, and an explanation of the term in substantially the following language:
15 “The capitalized cost reduction is ~~any cash, check, rebate or the like and, if~~
16 ~~applicable, net trade-in allowance~~ the amount of any net trade-in allowance, rebate,
17 noncash credit or cash that you pay that reduces the gross capitalized cost.”

18 **SECTION 20.** 429.203 (3) (c) of the statutes is amended to read:

19 429.203 (3) (c) The adjusted capitalized cost, using the term “adjusted
20 capitalized cost”, and an explanation of the term, as applicable, in substantially the
21 following language: “The adjusted capitalized cost is the agreed-upon amount that
22 serves as the basis for determining the base lease payment. ~~If you are not in default~~
23 ~~on the consumer lease, this amount (plus any applicable early termination charges)~~
24 ~~determines your maximum early termination obligation~~ is used in calculating your
25 base periodic payment.”

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1 **SECTION 21.** 429.203 (3) (d) of the statutes is amended to read:

2 429.203 (3) (d) The residual value of the leased vehicle, using the term
3 “residual value”, and an explanation of the term in substantially the following
4 language: “The residual value is the ~~estimated value of the leased vehicle at the end~~
5 ~~of the lease term that is used in determining the depreciation portion of the base lease~~
6 ~~payment. Your purchase option price, if any, may be a different amount~~ value of the
7 vehicle at the end of the lease used in calculating your base periodic payment.”

8 **SECTION 22.** 429.203 (3) (e) 1. of the statutes is amended to read:

9 429.203 (3) (e) 1. With respect to a single-payment lease, a statement of the
10 lease rent charge included in the single payment and a separate statement of the
11 depreciation portion of the single payment.

12 **SECTION 23.** 429.203 (3) (e) 2. of the statutes is amended to read:

13 429.203 (3) (e) 2. With respect to a lease other than a single-payment lease, a
14 statement of the lease rent charge included in the total of the periodic payments and
15 a separate statement of the depreciation portion of the total of the periodic payments.

16 **SECTION 24.** 429.203 (3) (f) of the statutes is repealed.

17 **SECTION 25.** 429.203 (6) (c) of the statutes is amended to read:

18 429.203 (6) (c) If the lessee does not purchase, maintain in force and provide
19 satisfactory proof of insurance against loss of or damage to the leased vehicle and
20 against liability arising out of the ownership, maintenance or use of the leased
21 vehicle, the lessor may purchase motor vehicle insurance to protect the lessor’s
22 interest in the leased vehicle and against the lessor’s liability arising out of the
23 ownership, maintenance or use of the leased vehicle. The lessor may include the cost
24 of such insurance in the lease rent charge.

25 **SECTION 26.** 429.207 (2) (f) 1. of the statutes is amended to read:

