



1995 ASSEMBLY BILL 870

February 13, 1996 - Introduced by Representatives NOTESTEIN, GOETSCH, LA FAVE, MUSSER, KRUG, ZIEGELBAUER, SERATTI, SPRINGER, F. LASEE, BALDWIN, WILLIAMS, ROBSON, R. YOUNG, HASENOHRL, BALDUS, BOCK, HANSON, MURAT, BOYLE, R. POTTER and BLACK, cosponsored by Senators BURKE, CLAUSING and DECKER. Referred to Committee on Consumer Affairs.

1 **AN ACT to amend** 421.202 (6); and **to create** 422.312 of the statutes; **relating**
2 **to:** disclosures in certain motor vehicle leases and granting rule-making au-
3 thority.

Analysis by the Legislative Reference Bureau

This bill requires that a creditor make certain disclosures to a customer before entering into certain motor vehicle leases. These disclosures must be made in writing on a separate form and must be signed by the customer prior to entering into the motor vehicle lease. The disclosures must include all of the following information: 1) the fact that the agreement is a lease agreement and not a purchase agreement, 2) the value of any motor vehicle used as a trade-in under the lease, 3) the "capitalized cost" under the lease and a statement showing how this was determined, 4) an itemization of all fees charged under the lease, 5) any capitalized cost reductions under the lease agreement and 6) if the lease contains an option to purchase the vehicle at the end of the lease agreement, the "effective interest rate" under the lease. The bill defines "capitalized cost" to mean the agreed-upon total amount which, after deducting any down payment or trade-in allowance, serves as the basis for calculating the amount of the periodic payment under an agreement for the lease of a motor vehicle. The bill enumerates a number of fees and charges that are specifically included in calculating capitalized cost, including taxes, registration fees, license fees, acquisition fees, insurance and maintenance contract charges, charges for accessories and charges for other goods and services incidental to the lease transaction. "Effective interest rate" is defined to be the rate of interest that would have to be paid on the capitalized cost, less any down payment or trade-in allowance, in order to generate sufficient funds to pay all periodic payments required under the lease, as well as any payment required at the end of the lease agreement to exercise the option to purchase the vehicle. Although the Wisconsin consumer act generally does not apply to consumer transactions in excess of \$25,000, the bill applies to all leases of automobiles, station wagons, minivans and certain trucks. The commissioner of banking is

required to promulgate rules regarding the disclosure requirements contained in the bill.

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

2 421.202 (6) ~~Consumer~~ Except as provided in s. 422.312, consumer credit trans-
3 actions in which the amount financed exceeds \$25,000 or other consumer transac-
4 tions in which the cash price exceeds \$25,000;

5 **SECTION 2.** 422.312 of the statutes is created to read:

6 **422.312 Motor vehicle lease disclosures. (1)** In this section:

7 (a) "Capitalized cost" means the agreed-upon total amount which, after de-
8 ducting any capitalized cost reduction, serves as the basis for calculating the amount
9 of the periodic payment under an agreement for the lease of a motor vehicle. Capital-
10 ized cost includes all of the following:

11 1. Taxes.

12 2. Registration, license, acquisition, administration, assignment or other simi-
13 lar fees.

14 3. Charges for insurance, for guaranteed auto protection coverage or a waiver
15 of this coverage, for an extended warranty, mechanical repair contract, service con-
16 tract or vehicle maintenance agreement or for other similar charges.

17 4. Fees and charges for accessories and for installing accessories.

18 5. Charges for delivering, servicing, repairing or improving the vehicle.

19 6. Charges for other goods, services and benefits incidental to the lease transac-
20 tion.

1 (b) "Capitalized cost reduction" means any payment made by cash, check re-
2 bates or similar means that is in the nature of a down payment made by the lessee
3 and any net trade-in allowance granted by the lessor at the inception of the lease for
4 the purpose of reducing the capitalized cost. "Capitalized cost reduction" does not
5 include any base lease payments due at the inception of the lease. If all lease pay-
6 ments are to be paid at the inception of the lease, "capitalized cost reduction" does
7 not include any lease payment.

8 (c) "Effective interest rate" means, for any lease agreement with an option to
9 purchase the vehicle at the end of the lease agreement, the rate of interest that is
10 determined by doing the following:

11 1. Calculating the capitalized cost, less any capitalized cost reduction, for the
12 vehicle to be leased under the lease agreement.

13 2. Calculating the annual interest rate that would have to be paid on the
14 amount determined under subd. 1. so that the amount, if invested at that rate of in-
15 terest on the date the lease agreement is entered into, would generate sufficient in-
16 terest over the term of the lease agreement to allow the payment, from the amount
17 and the interest on it, of all of the following:

18 a. Each periodic payment that the customer is required to make under the lease
19 agreement, at the time the payment is required to be made under the lease agree-
20 ment.

21 b. The payment required to exercise the option to purchase the vehicle at the
22 end of the lease agreement, at the end of the lease agreement.

23 (d) "Motor vehicle" means all of the following:

24 1. An automobile, as defined in s. 340.01 (4).

25 2. A station wagon, as defined in s. 340.01 (61).

