

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 1326 Session of
1987

INTRODUCED BY FARGO, NOYE, ITKIN, TIGUE, DISTLER, TRELLO,
BATTISTO, JOHNSON, MARKOSEK, VAN HORNE, KENNEY, BIRMELIN,
LEVANSKY, BOOK, HECKLER, McVERRY, GLADECK, PERZEL, NAHILL,
GAMBLE, TELEK, PRESTON, WILSON, KOSINSKI, BUNT, OLASZ,
ROBBINS AND CLYMER, MAY 11, 1987

REFERRED TO COMMITTEE ON BUSINESS AND COMMERCE, MAY 11, 1987

AN ACT

1 Limiting the amount of deposits in certain motor vehicle leases;
2 and providing for the disposition of interest on security
3 deposits.

4 The General Assembly of the Commonwealth of Pennsylvania
5 hereby enacts as follows:

6 Section 1. Short title.

7 This act shall be known and may be cited as the Automobile
8 Lease Deposit Law.

9 Section 2. Definitions.

10 The following words and phrases when used in this act shall
11 have the meanings given to them in this section unless the
12 context clearly indicates otherwise:

13 "Lease." A contract by which a lessor grants to a person the
14 right to possess and use a new motor vehicle in exchange for
15 periodic payments. The term does not include such a contract
16 having a term of less than 12 months' duration.

17 "Lessee." A person who has entered into a lease with a

1 lessor.

2 "Lessor." A person in the business of manufacturing, buying,
3 selling, leasing or exchanging motor vehicles.

4 Section 3. Interest on security deposit.

5 If a lease transaction requires that payment of a deposit of
6 \$100 or more be made by a lessee to a lessor and this payment is
7 not attributable to the periodic payment made for possession and
8 use, the lessor shall pay interest annually on such deposit at
9 the legal rate of interest set pursuant to the act of January
10 30, 1974 (P.L.13, No.6), referred to as the Loan Interest and
11 Protection Law. The interest shall be paid to the lessee
12 annually upon the anniversary date of the commencement of the
13 lease.

14 Section 4. Escrow of security deposit.

15 In lieu of the interest requirement of section 3, a lessor
16 may deposit the funds in an interest-bearing escrow account of
17 an institution regulated by the Federal Reserve Board, the
18 Federal Home Loan Bank Board, the Comptroller of the Currency or
19 the Department of Banking. When funds are deposited in escrow
20 under this section, the lessor shall be entitled to receive, as
21 administrative expenses, a sum equivalent to 1% per annum upon
22 the security money so deposited, which shall be in lieu of all
23 other administrative and custodial expenses. The balance of the
24 interest paid shall be the property of the lessee making the
25 deposit and shall be paid to the lessee annually upon the
26 anniversary date of the commencement of the lease.

27 Section 5. Deposit limit.

28 No deposit shall exceed the value of one month's periodic
29 payment under the lease for each 24 months, or part of 24
30 months, of the duration of the lease agreement.

1 Section 6. Effective date.

2 This act shall take effect in 60 days.