

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1023 Session of  
1997

INTRODUCED BY READSHAW, YOUNGBLOOD, TIGUE, BELARDI, MARKOSEK,  
HENNESSEY, WALKO, CARN, STABACK, VAN HORNE, MANDERINO, ITKIN,  
CURRY, DeLUCA, MICHLOVIC, BOSCOLA, TRELLO, STERN, WOJNAROSKI,  
GIGLIOTTI, MELIO, HALUSKA AND SHANER, MARCH 19, 1997

REFERRED TO COMMITTEE ON CONSUMER AFFAIRS, MARCH 19, 1997

AN ACT

1 Establishing standards for certain motor vehicle leases;  
2 providing for additional duties of the Bureau of Consumer  
3 Protection and for enforcement and penalties.

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 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 "Adjusted capitalized cost." The agreed upon amount which  
14 serves as the basis for determining the periodic lease payment  
15 and a portion of the lessee's early termination liability,  
16 computed by subtracting from the gross capitalized cost any  
17 capitalized cost reduction.

1 "Bureau." The Bureau of Consumer Protection in the Office of  
2 Attorney General.

3 "Business day." Every day other than a Saturday, a Sunday or  
4 a day on which State-chartered banks in this Commonwealth are  
5 required to be closed.

6 "Capitalized cost reduction." Any payment made by cash,  
7 check, rebates or similar means that are in the nature of down  
8 payments made by the lessee and any net trade-in allowance  
9 granted by the lessor at the inception of the lease for the  
10 purpose of reducing the gross capitalized cost but does not  
11 include any periodic lease payments due at the inception of the  
12 lease or all of the periodic lease payments if they are paid at  
13 the inception of the lease.

14 "Director." The Director of the Bureau of Consumer  
15 Protection.

16 "Fleet lease." A contract or other agreement between a  
17 lessor and a lessee entered into after the effective date of  
18 this act and in which the vehicles are to be used primarily for  
19 business or commercial purposes that is either: a written  
20 agreement for the use of at least two vehicles that includes an  
21 agreement for an option to use at least one additional motor  
22 vehicle or a written agreement for the lease of five or more  
23 vehicles.

24 "Gross capitalized cost." The amount which when reduced by  
25 the amount of the capitalized cost reduction equals the adjusted  
26 capitalized cost. The gross capitalized cost shall include the  
27 cost of the vehicle and, without limitation, taxes,  
28 registration, license, acquisition, assignment and other fees  
29 and charges for insurance for a waiver of the contractual  
30 obligation to pay certain liability in the event the motor

1 vehicle is damaged, stolen or otherwise lost, for accessories  
2 and their installation, for delivering, serving, repairing or  
3 improving the motor vehicle and for other services and benefits  
4 incidental to the lease. It may also include with respect to a  
5 vehicle or other property traded in connection with a lease the  
6 unpaid balance of any amount financed under an outstanding  
7 vehicle loan agreement or vehicle retail installment contract or  
8 the unpaid portion of the early termination obligation under any  
9 other obligation of the lessee.

10 "Lease." A contract or other agreement between a lessor and  
11 a lessee, other than a fleet lease, entered into after the  
12 effective date of this act for the use of a motor vehicle by the  
13 lessee for a period of time exceeding 120 days, whether or not  
14 the lessee has the option to purchase or otherwise become the  
15 owner of the motor vehicle at the expiration of the lease. A  
16 lease shall not be deemed to be a retail installment contract,  
17 as defined in the act of October 28, 1966 (1st Sp.Sess., P.L.55,  
18 No.7), known as the Goods and Services Installment Sales Act,  
19 unless the lessee, for no consideration or for a nominal  
20 consideration, becomes the owner or has the option of becoming  
21 the owner of the motor vehicle at the end of the term of the  
22 lease.

23 "Leasing dealer." A person who in the ordinary course of  
24 business offers or enters into motor vehicle leases or who in  
25 the course of any 12-month period offers or enters into more  
26 than three motor vehicle leases. The term shall not include a  
27 person to whom a lease is assigned by a leasing dealer.

28 "Lessee." A person who leases a motor vehicle under a lease.

29 "Lessor." A leasing dealer who holds title to a motor  
30 vehicle leased to a lessee under a lease or a leasing dealer who

1 holds the lessor's rights under the lease or a person to whom a  
2 lease is assigned.

3 "Motor vehicle" or "vehicle." A motor vehicle as defined in  
4 75 Pa.C.S. § 102 (relating to definitions), except the living  
5 facilities of motor homes.

6 "Purchase option price." Total cost to the lessee, excluding  
7 sales tax, to purchase the motor vehicle at the end of the lease  
8 term.

9 "Residual value." The projected fair market value of the  
10 motor vehicle at the end of the lease term.

### 11 Section 3. Lease provision.

12 (a) In general.--Every lease shall:

13 (1) Be in writing and contain all of the terms and  
14 conditions of the lease agreement between the lessor and the  
15 lessee and shall be signed by the lessor and lessee.

16 (2) State the names and addresses of all parties and the  
17 phone number of the leasing dealer. If the dealer knows the  
18 identity of the party to whom the leasing dealer intends to  
19 assign the lease, the dealer shall include in the lease the  
20 name, address and telephone number of the assignee. If the  
21 leasing dealer does not include the name, address and  
22 telephone number of the assignee in the lease, the dealer or  
23 the assignee shall promptly upon assignment mail or  
24 personally deliver to the lessee the name, address and  
25 telephone number of the assignee.

26 (3) State the dates when the lease is executed by the  
27 parties.

28 (4) Identify the lease with the term "lease" in 14-point  
29 boldface type and shall be in a style and format to be  
30 determined by the director by regulation.

1           (5) Be completed in full without any blank spaces to be  
2 filled in after the lease is signed by the lessee.

3           (6) Specify the periodic basis or intervals when the  
4 lease payments shall be payable.

5       (b) Option to purchase.--

6           (1) The lease shall also state whether or not the lessee  
7 has the option to purchase the motor vehicle at the end of  
8 the lease term and, if so, either:

9               (i) the purchase option price; or

10              (ii) the method for ascertaining the purchase option  
11 price.

12           (2) If the lease includes a method for determining the  
13 purchase option price, and that method is based upon an  
14 amount set forth in a publication, the identity of the  
15 publication and the classification contained within the  
16 publication to be used shall be included. If the publication  
17 ceases to exist, the lessor shall immediately notify the  
18 lessee of that fact and inform the lessee of the identity of  
19 the comparable publication which will be utilized to  
20 ascertain the purchase option price. If a method for  
21 ascertaining the purchase option price not set forth in a  
22 publication is included in the lease, the lease shall set  
23 forth a good faith estimate of the amount, using that method.

24           (3) (i) If the lease contains a purchase option, it  
25 shall state the total cost of the lease assuming there is  
26 no default and that the lessee exercises the purchase  
27 option at the end of the term of the lease which shall be  
28 the sum of:

29               (A) The total amount of all payments required at  
30 the beginning of the lease.

1 (B) The total amount to be paid in periodic  
2 payments during the term of the lease.

3 (C) The amount of any liability the lease  
4 imposes upon the lessee at the end of the term of the  
5 lease.

6 (D) The purchase option price.

7 (ii) If the lease does not contain a purchase option  
8 or if the purchase option price is not set forth in the  
9 lease, the total fixed cost of the lease, which shall be  
10 the sum of subparagraph (i)(A), (B) and (C).

11 (iii) For purposes of calculating the total cost of  
12 the lease under subparagraph (ii) or the total fixed cost  
13 of the lease under subparagraph (ii) the amount of the  
14 refundable security deposit and insurance shall be  
15 excluded.

16 (c) Addition provisions.--The lease shall also state the  
17 following:

18 (1) The total amount of all payments required at the  
19 inception of the lease term, including any refundable  
20 security deposit, any trade-in allowance and any  
21 nonrefundable payment such as a down payment or capitalized  
22 cost reduction required at the beginning of the lease or a  
23 statement that no payment is required at the beginning of the  
24 lease.

25 (2) The number of periodic payments to be paid during  
26 the term of lease and the amount of each payment.

27 (3) A description of the standards to be used by the  
28 lessor in determining excessive wear or damage and any  
29 liability the lease imposes upon the lessee at the end of the  
30 term of the lease, including any liability which may be

1 imposed upon the lessee because of excessive wear or damage  
2 of the motor vehicle and any disposition costs imposed upon  
3 the lessee.

4 (4) The formula which shall be used by the lessor to  
5 calculate the total liability of the lessee if the lease is  
6 terminated by the lessee.

7 (5) The residual value of the vehicle.

8 (6) The total number of miles or the number of miles per  
9 month or year which the vehicle may be driven without  
10 additional charge as permitted under the terms of the lease  
11 and the charge per mile for the miles driven in excess of  
12 that permissible mileage.

13 (7) The gross capitalized cost of the vehicle, the  
14 capitalized cost reduction and the adjusted capitalized cost  
15 when the cost of the vehicle for the purpose of calculating  
16 the gross capitalized cost exceeds the manufacturer's  
17 suggested retail price.

18 (d) Liability of lease.--The lease shall state the liability  
19 of the lessee in the event the motor vehicle is damaged, stolen  
20 or otherwise lost. In the event the motor vehicle is damaged,  
21 stolen or lost and is deemed a total loss by the insurance  
22 company and the lease contains a provision whereby the  
23 difference between the insurance proceeds and the amount due  
24 under the terms of the lease shall be waived if the lessor  
25 receives the insurance proceeds and if the lessee has otherwise  
26 complied with all other promises contained in the lease,  
27 including, where applicable, the requirement that the lessee pay  
28 the deductible under any insurance coverage, the lease shall  
29 disclose that the lessee shall have no further liability.

30 Otherwise, the lease shall disclose the option on the part of

1 the lessee to purchase from the lessor or from a third party,  
2 either insurance or damage waivers, if available, to indemnify  
3 him for the difference between the insurance proceeds and the  
4 amount due under the terms of the lease.

5 (e) Motor vehicle.--The lease shall provide the following  
6 information concerning the motor vehicle to be leased:

7 (1) If the odometer reads in excess of 1,000 miles, an  
8 explanation of the prior use of the motor vehicle using the  
9 following terms, as applicable: personal, family or  
10 household, demonstrator, livery, daily rental, police, prior  
11 wreckage, unknown, provided that the lessor may insert  
12 "unknown" only if the lessor does not know the prior use of  
13 the motor vehicle.

14 (2) The odometer reading at the beginning of the lease  
15 term.

16 (3) The make, model and year.

17 (4) The number of engine cylinders.

18 (5) Whether the transmission is automatic or manual.

19 (6) Whether the brakes and steering mechanism are power  
20 assisted or manual.

21 (7) Whether or not the vehicle is air conditioned.

22 (8) The vehicle identification number of the vehicle.

#### 23 Section 4. Certain disclosures.

24 The disclosures required by section 3(b), (c), (d) and (e)  
25 may be made in the lease or in an addendum to the lease. If the  
26 required disclosures are made in an addendum to the lease, the  
27 addendum shall refer to the lease and shall be separately signed  
28 by the lessee prior to signing the lease.

#### 29 Section 5. Federal law.

30 Compliance with the requirements of the Consumer Leasing Act



1 of 1976 (Public Law 94-240, 15 U.S.C. §§ 1601, 1640, 1667-1667e  
2 et seq.) and Federal Reserve Board Regulation M, 12 CFR Part 213  
3 (relating to consumer leasing), to the extent that they are  
4 substantially similar to the requirements of this act, as the  
5 same may be amended from time to time, shall constitute  
6 compliance with section 3(a)(6), (b), (c) and (d).

7 Section 6. Default.

8 (a) General rule.--If a lessee is 15 days or more in default  
9 of the periodic payments due on the lease and the lessor wishes  
10 to declare a default and cancel or terminate the lease, the  
11 lessor shall personally deliver to the lessee or send by first  
12 class, certified mail, to the lessee's last known address as  
13 shown on the records of the lessor, a notice of cancellation. A  
14 lessee who is in default under a lease solely for failure to  
15 make a payment required by the lease shall have the right to  
16 reinstate the lease, subject to the provisions of this section.  
17 If the lessee has the right to reinstate the lease, the notice  
18 of cancellation shall provide that the lessee has 15 days to  
19 reinstate the lease by paying all past due periodic payments,  
20 late fees and other amounts due under the lease and, if the  
21 motor vehicle has been repossessed, the cost to the lessor of  
22 repossessing, storing and transporting the motor vehicle. Such  
23 costs may include a reasonable attorney fee and court costs if  
24 actually incurred by the lessor and if provided for in the  
25 lease. Upon payment within the 15-day period to the lessor of  
26 the amounts due, the lessor shall reinstate the lease as if the  
27 lessee had not been in default of payment. The lessor shall not  
28 be required to reinstate a lease more than once during the term  
29 of the lease. The lessee does not have the right to  
30 reinstatement if the default is for any reason other than or in

1 addition to the failure to make a payment required by the lease.

2 (b) Death of lessee.--In the event of the death of a lessee  
3 before the expiration of a lease, there shall be no default if  
4 the lessee's surviving spouse continues to make payments to the  
5 lessor in accordance with the terms of the lease notwithstanding  
6 the death of the lessee.

7 Section 7. Excessive wear or damage.

8 (a) Appraisal.--Where the lessee is liable at the end of the  
9 lease term for charges for excessive wear and damage to the  
10 motor vehicle, the lease or the addendum shall contain a  
11 statement that the lessee may obtain at the end of the lease  
12 term, at the lessee's expense, a professional appraisal of the  
13 amount required to repair or replace parts or the amount which  
14 the excessive wear and damage reduces the value of the vehicle.  
15 This professional appraisal shall be performed by an independent  
16 third party agreed to by the lessee and the lessor, which  
17 appraisal shall be final and binding on the parties.

18 (b) Notice of claim.--Within ten business days of the return  
19 of the motor vehicle to the lessor, the lessor shall mail or  
20 deliver to the lessee an invoice for amounts claimed by the  
21 lessor for excess wear and damage. The invoice shall contain in  
22 ten-point boldface type a notice of the lessee's right under  
23 subsection (a) to obtain an independent appraisal of excess wear  
24 and damage. The notice shall also provide as follows:

25 (1) The lessor must be advised in writing within seven  
26 business days following the earlier of the date of the  
27 mailing or delivery of the invoice if the lessee elects to  
28 obtain an independent appraisal.

29 (2) That any such appraisal must be conducted within ten  
30 business days following the date that the lessor is notified

1 of the lessee's election.

2 (3) That if the lessee fails to notify the lessor within  
3 the time allotted, that the lessee has elected an independent  
4 appraisal, the lessor's invoice will be deemed to be final  
5 and binding on the parties.

6 (c) Security deposit.--Within 15 business days after the  
7 lessee's obligations under the lease have been determined and  
8 satisfied, which shall include, but not be limited to, the  
9 lessee's liability for excess wear and damage under this  
10 section, the lessor shall credit to the lessee's account or mail  
11 to the lessee any refund or any security deposit due to the  
12 lessee.

13 (d) Excess mileage.--Nothing in this section shall limit the  
14 lessee's obligation for any charge for excess mileage as  
15 provided in the lease.

16 Section 8. Procedure.

17 (a) Credit approval.--

18 (1) No leasing dealer may permit a prospective lessee to  
19 take possession of a motor vehicle subject to a lease if such  
20 lease is contingent upon the approval of the lessee's credit  
21 unless the lessee is provided with and acknowledges receipt  
22 of a notice on a separate page from another notice, term or  
23 condition of the lease, which provides substantially the  
24 following:

25 NOTICE: YOUR LEASE IS SUBJECT TO CREDIT APPROVAL. IF  
26 YOUR CREDIT IS NOT APPROVED, YOU MUST RETURN THE  
27 VEHICLE.

28 The notice may contain the name, address, telephone number  
29 and logo of the leasing dealer and shall contain an  
30 acknowledgment by the lessee of the receipt of the notice.

1           (2) The leasing dealer shall complete the credit check  
2       of the prospective lessee within five business days of both  
3       the leasing dealer and lessee signing the lease.

4       (b) Review of lease.--

5           (1) No lease shall bind a lessee or lessor unless both  
6       the lessee and lessor have had one business day to review the  
7       lease contract before the signing of the contract.

8           (2) No leasing dealer may permit a prospective lessee to  
9       take possession of a motor vehicle subject to a lease unless  
10      the lessee is provided with a conspicuous notice which  
11      provides substantially the following:

12                   NOTICE: THE LESSEE AND THE LESSOR SHALL BE ENTITLED  
13                   TO REVIEW THE CONTRACT FOR ONE BUSINESS DAY BEFORE  
14                   SIGNING THE CONTRACT IMMEDIATELY ADJACENT TO THE  
15                   SIGNATURE LINE OF THE CONTRACT.

16   Section 9. Enforcement.

17       The enforcement and penalty provisions of the act of December  
18   17, 1968 (P.L.1224, No.387), known as the Unfair Trade Practices  
19   and Consumer Protection Law, shall apply to this act.

20   Section 10. Rules and regulations.

21       The director shall promulgate the rules and regulations  
22   necessary for the administration of this act.

23   Section 11. Consumer awareness program.

24       The director shall implement a consumer awareness program  
25   which shall advise consumers of the requirements, protections  
26   and benefits provided by this act.

27   Section 12. Effective date.

28       This act shall take effect in 60 days.