

FEDERAL RESERVE SYSTEM

12 CFR Part 213

[Regulation M; Docket No. R-0952]

Consumer Leasing

AGENCY: Board of Governors of the Federal Reserve System .

ACTION: Proposed Rule.

SUMMARY: The Board is publishing for comment proposed revisions to Regulation M, which implements the Consumer Leasing Act. The act requires lessors to provide uniform cost and other disclosures about consumer lease transactions. The proposed revisions primarily implement amendments to the act contained in the Economic Growth and Regulatory Paperwork Reduction Act of 1996, which streamline the advertising disclosures for lease transactions. In addition, the proposal contains several technical amendments that would be made to the regulation.

DATES: Comments must be received by February 7, 1997.

ADDRESSES: Comments should refer to Docket No. R-0952, and may be mailed to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, DC 20551. Comments also may be delivered to Room B-2222 of the Eccles Building between 8:45 a.m. and 5:15 p.m. weekdays, or to the guard station in the Eccles Building courtyard on 20th Street, N.W. (between Constitution Avenue and C Street) at any time. Comments may be inspected in Room MP-500 of the Martin Building between 9:00 a.m. and 5:00 p.m. weekdays, except as provided in 12 CFR 261.8 of the Board's rules regarding the availability of information.

FOR FURTHER INFORMATION CONTACT: Kyung H. Cho-Miller or Obrea O. Poindexter, Staff Attorneys, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551, at (202) 452-2412 or 452-3667. Users of Telecommunications Device for the Deaf only may contact Dorothea Thompson, at (202) 452-3544.

SUPPLEMENTARY INFORMATION:

I. Background on the Consumer Leasing Act and Regulation M

The Consumer Leasing Act (CLA), 15 U.S.C. 1667-1667e, was enacted into law in 1976 as an amendment to the Truth in Lending Act (TILA), 15 U.S.C. 1601 et seq. The CLA generally applies to consumer leases of personal property in which the contractual obligation does not exceed \$25,000 and has a term of more than four months. An automobile lease is the most common type of consumer lease covered by the act. Under the act, lessors are

required to provide uniform cost and other information about consumer lease transactions.

The Board was given rulewriting authority, and its Regulation M (12 CFR part 213) implements the CLA. An official staff commentary interprets the regulation.

The Board recently completed a review of Regulation M, pursuant to its policy of periodically reviewing its regulations, and approved a final rule in September 1996 substantially revising the regulation to update the disclosure requirements and to carry out more effectively the purposes of the Act (61 FR 52246, October 7, 1996).

II. Proposed Regulatory Provisions

This proposed rulemaking contains a few technical amendments to the regulation. For example, the model clause for providing a description of the leased property is added and the example of an annual charge as an other charge is deleted on the open- and closed-end model forms. All the proposed technical amendments are discussed in detail in the section-by-section analysis.

In the September 1996 final rule, the advertising provisions implemented amendments to the CLA contained in the Riegle Community Development and Regulatory Improvement Act of 1994 (Pub. L. 103-325, 108 Stat. 2160), allowing a toll-free number or a print advertisement to substitute for certain lease disclosures in radio commercials (which was expanded in the final rule to television commercials).

The advertisement provisions were amended and streamlined on September 30, 1996, when the Congress enacted the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (Pub. L. 104-208, 110 Stat. 3009)(the 1996 Act). The Board's proposed rule implements the statutory changes, which are discussed in detail below in § 213.7.

III. Section-by-Section Analysis

SECTION 213.4 Content of disclosures.

4(n) Fees and taxes.

In the September 1996 final rule, paragraph 4(n) of this section stated that the lessor must disclose the total dollar amount of all official and license fees, registration, title, or taxes required to be paid "to the lessor" in connection with the lease. Adding "paid to the lessor" narrowed the scope of the disclosure from the previous requirement. No substantive change to the requirement was intended. Thus, the phrase "to the lessor" would be deleted from this section.

4(o) Insurance.

The Board proposes to revise the captions for paragraph 4(o)(1) and (2) to change the focus from voluntary and required insurance. The new captions more accurately reflect the

requirement for the insurance disclosure--that insurance obtained through the lessor or through a third party, regardless of whether it is required or voluntary, must be disclosed.

SECTION 213.5 Renegotiations, extensions, and assumptions .

5(d) Exceptions.

Under Regulation M, new disclosures generally are required where a covered lease transaction is renegotiated or extended; however, under paragraph 5(d)(1) new disclosures are not required if the "lease charge" is reduced in a renegotiation or an extension of an existing lease. This exception was moved from the official staff commentary to the regulation in the final rule approved in September 1996. For clarity and consistency in terminology throughout the regulation, the Board proposes to replace the term "lease charge" with the term "rent charge."

SECTION 213.7 Advertising.

The advertising provisions in Regulation M currently require additional disclosure if an advertisement states any of the following terms: the amount of any payment; the number of required payments; or a statement of any capitalized cost reduction or other payment required prior to or at consummation, or that no payment is required. Under the amendments to the CLA contained in the 1996 Act, an advertisement that states the number of required payments would no longer trigger additional disclosures.

The 1996 Act also changes the items that must be disclosed (to the extent applicable) when a triggering term is stated in an advertisement. The current disclosures and the changes made by the 1996 Act are as follows:

- (1) That the transaction advertised is a lease. No change was made in this disclosure.
- (2) The total amount due at lease signing, or that no payment is required. This disclosure has been expanded to also include amounts due at delivery if delivery occurs after consummation.
- (3) The number, amounts, due dates or periods of scheduled payments, and total of such payments under the lease. The total of scheduled payments is eliminated as a required disclosure.
- (4) A statement of whether or not the lessee has the option to purchase the leased property, and where the lessee has the option to purchase at the end of the lease term, the purchase-option price. This disclosure has been eliminated entirely.
- (5) A statement of the amount, or the method for determining the amount, of the lessee's liability (if any) at the end of the lease term. This disclosure has been eliminated entirely.
- (6) For an open-end lease, a statement of the lessee's liability (if any) for the difference

between the residual value of the lease property and its realized value at the end of the lease term. This disclosure was simplified to require a short statement that an additional charge may be imposed.

The 1996 Act also adds as an additional disclosure of a statement on whether or not a security deposit is required.

7(b) Clear and conspicuous standard.

7(b)(1) Amount due at lease signing.

The general rule in this paragraph states that any reference to a charge that is part of the total amount due at lease signing may not be more prominent than the disclosure of the total amount due at lease signing. The amount of any capitalized cost reduction (or no capitalized cost reduction) is provided as an example of an amount that is a part of the total amount due at lease signing. The Board proposes to delete this example from this paragraph and to move it to the official staff commentary.

7(d) Advertisement of terms that require additional disclosure.

7(d)(1) Triggering terms.

Pursuant to the 1996 Act, the Board proposes to delete paragraph 7(d)(1)(ii). Merely stating in an advertisement the number of required lease payments, for example, "36 payments," no longer "triggers" the additional disclosures in paragraph 7(d)(2). Paragraph 7(d)(1)(iii) would be redesignated as paragraph 7(d)(1)(ii).

7(d)(2) Additional terms.

An advertisement stating any item listed in paragraph 7(d)(1) is required to state the additional disclosures in paragraph 7(d)(2), as applicable. As discussed previously, the 1996 Act amends many of the required additional disclosures in this paragraph. The following proposed changes implement the statutory amendments.

The 1996 Act expands the disclosure of the total amount due at lease signing in paragraph 7(d)(2)(ii) to include "amounts paid at delivery, whichever occurs later." Prior to the amendments, a delivery charge paid after consummation was not included in the total amount due at lease signing in § 213.4(b) or in this section. Under the proposed changes to implement the statutory amendment, the delivery charge would be included in the total even if it was paid after consummation. The Board does not propose to expand the disclosure under § 213.4 to parallel the new advertising rule.

The total of scheduled payments disclosure from paragraph 7(d)(2)(iii), all of paragraph 7(d)(2)(iv), and all of paragraph 7(d)(2)(v) will be deleted. A statement of whether or not a security deposit is required is added by the statute and proposed as paragraph 7(d)(iv). For an open-end lease, the amended statute requires a statement that an extra charge may be imposed at the end of the lease term; the regulatory provision is redesignated as paragraph 7(d)(2)(v).

7(f) Alternative disclosures--television or radio advertisements.

7(f)(1) Toll-free number or print advertisement.

The 1996 Act deletes the "total of scheduled payments" as a required additional disclosure under section 184(a), the general advertising disclosures, but not in section 184(c), which governs radio advertisements. Section 105(a) of the TILA provides that the Board's regulations "may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary or proper to effectuate the purposes of [the CLA], to prevent circumvention or evasion thereof, or to facilitate compliance therewith." The Board does not believe that the Congress intended to require more disclosures for radio advertisements than other advertisements. Accordingly, the Board proposes to delete the disclosure of the "total of scheduled payments" from section 184(c) on radio advertisements pursuant to its exception authority under section 105(a).

Appendices

Lessors are required to provide a description of leased property under the CLA and § 213.4(a) of Regulation M. The Board proposes to amend the model forms for open- and closed-end leases disclosures to add among the nonsegregated disclosures a model clause for describing leased property.

The Board proposes to amend the model forms for open- and closed-end leases by deleting "annual tax" as an example of an other charge. Third-party fees or charges paid to the lessor but not retained by the lessor such as taxes are not included in the "other charges" disclosure.

IV. Form of Comment Letters

Comment letters should refer to Docket No. R-0952 and, when possible, should use a standard Courier typeface with a type size of 10 or 12 characters per inch. This will enable the Board to convert the text to machine-readable form through electronic scanning, and will facilitate automated retrieval of comments for review. Also, if accompanied by an original document in paper form, comments may be submitted on 3 1/2 inch or 5 1/4 inch computer diskettes in any IBM-compatible DOS-based format.

The comment period ends on February 7, 1997. Normally, the Board provides a 60-day comment period, in keeping with the Board's policy statement on rulemaking (44 FR 3957, January 19, 1979). The proposed regulatory revisions primarily implement changes in the law made by the 1996 Act that streamline the advertising provisions and, in addition, make a few technical changes to Regulation M. The Board believes that it is desirable to ensure that a final

rule takes effect along with the final rule approved in September 1996, which requires issuing a final rule by April 1, 1997. Accordingly, the Board is providing an abbreviated comment period.

V. Regulatory Flexibility Analysis

In accordance with section 3(a) of the Regulatory Flexibility Act (5 U.S.C. 603), the Board's Office of the Secretary has reviewed the proposed amendments to Regulation M. Overall, the amendments are not expected to have any significant impact on small entities. The proposed regulatory revisions, primarily required to implement the 1996 Act, ease compliance by streamlining the advertising provisions. A final regulatory flexibility analysis will be conducted after consideration of comments received during the public comment period.

VI. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR 1320 Appendix A.1), the Board reviewed the proposed rule under the authority delegated to the Board by the Office of Management and Budget. Comments on the collections of information should be sent to the Office of Management and Budget, Paperwork Reduction Project (7100-0202), Washington, DC 20503, with copies of such comments to be sent to Mary M. McLaughlin, Chief, Financial Reports Section, Division of Research and Statistics, Mail Stop 97, Board of Governors of the Federal Reserve System, Washington, DC 20551.

The respondents are individuals or businesses that regularly lease, offer to lease, or arrange for the lease of personal property under a consumer lease. The purpose of the disclosures associated with Regulation M is to ensure that lessees of personal property receive meaningful information that enables them to compare lease terms with other leases and, where appropriate, with credit transactions. Records, required to evidence compliance with the regulation, must be retained for twenty-four months. The revisions to the collection of information requirements in this proposed rule are found in 12 CFR 213.4, 213.5, and 213.7 and appendices A-1 and 2.

Regulation M applies to all types of financial institutions, not just state member banks. Under the Paperwork Reduction Act, however, the Federal Reserve accounts for the paperwork burden associated with Regulation M only for state member banks. Any estimates of paperwork burden for institutions other than state member banks affected by the amendments would be provided by the federal agency or agencies that supervise those lessors. The Federal Reserve has found that few state member banks engage in consumer leasing and that while the prevalence of leasing has increased in recent years, it has not increased substantially among state member banks. It also has found that among state member banks that engage in consumer leasing, only a very few advertise consumer leases.

The proposed revisions to section 213.4 and 213.5 are estimated to have no effect on the hour burden that the regulation imposes. The proposed revisions to section 213.7, while more substantive, are expected to have no net effect on the hour burden.

The current hour burden for state member banks, as of the September 1996 final rule, is

estimated to be eighteen minutes for the disclosures and twenty-five minutes for advertising. It is estimated that there will be 310 respondents and an average frequency of 120 responses per respondent each year. The total amount of annual hour burden at all state member banks is estimated to be 11,179 hours. Start-up cost burden associated with the September 1996 final rule was estimated to be \$12,000 per respondent, amounting to a total of \$3,720,000 for state member banks. The Federal Reserve estimates that this amount is sufficient to cover any costs of the proposed rule.

The disclosures made by lessors to consumers under Regulation M are mandatory (15 U.S.C. 1667 et seq.). Because the Federal Reserve does not collect any information, no issue of confidentiality under the Freedom of Information Act arises. Consumer lease information in advertisements is available to the public. Disclosures of the costs, liabilities, and terms of consumer lease transactions relating to specific leases are not publicly available.

An agency may not conduct or sponsor, and an organization is not required to respond to, this information collection unless it displays a currently valid OMB control number. The OMB control number is 7100-0202.

Comments are invited on: (a) whether the proposed revised collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility; (b) the accuracy of the Federal Reserve's estimate of the burden of the proposed revised information collection, including the cost of compliance; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology.

List of Subjects in 12 CFR Part 213

Advertising, Federal Reserve System, Reporting and recordkeeping requirements, Truth in Lending.

Certain conventions have been used to highlight the proposed revisions to the regulation. New language is shown inside bold-faced arrows, while language that would be deleted is set off with bold-faced brackets.

For the reasons set forth in the preamble, the Board proposes to amend 12 CFR Part 213 as follows:

PART 213 -- CONSUMER LEASING (REGULATION M)

1. The authority citation for part 213 continues to read as follows:
Authority: 15 U.S.C. 1604.

2. Section 213.4 would be amended as follows:
 - a. Paragraph (n) would be revised; and
 - b. The headings of Paragraphs (o)(1) and (o)(2) would be revised.

The revisions read as follows:

§ 213.4 Content of disclosures.

* * * * *

(n) Fees and taxes. The total dollar amount for all official and license fees, registration, title, or taxes required to be paid [to the lessor] in connection with the lease.

(o) Insurance. * * *

(1) [Voluntary insurance.] ▶Through the lessor.◀ * * *

(2) [Required insurance.] ▶Through a third party.◀ * * *

* * * * *

3. Section 213.5 would be amended by revising paragraph (d)(1) to read as follows:

§ 213.5 Renegotiations, extensions, and assumptions.

* * * * *

(d) Exceptions. * * *

(1) A reduction in the [lease] ▶rent◀ charge;

* * * * *

4. Section 213.7 would be amended as follows:
 - a. Paragraph (b)(1) would be revised;
 - b. Under paragraph (d)(1), paragraph (d)(1)(i) would be revised, paragraph (d)(1)(ii) would be deleted, and paragraph (d)(1)(iii) would be redesignated as (d)(1)(ii);
 - c. Under paragraph (d)(2), paragraphs (d)(2)(ii) and (d)(2)(iii) would be revised, paragraph (d)(2)(iv) would be removed, paragraphs (d)(2)(v) and (d)(2)(vi) would be revised and redesignated as paragraphs (d)(2)(iv) and (d)(2)(v), respectively.

The revisions read as follows:

§ 213.7 Advertising.

* * * * *

(b) Clear and conspicuous standard. * * *

(1) Amount due at lease signing. Except for the statement of a periodic payment, any affirmative or negative reference to a charge that is a part of the total amount due at lease signing under paragraph 7(d)(2)(ii) of this section [, such as the amount of any capitalized cost reduction (or no capitalized cost reduction is required),] shall not be more prominent than the disclosure of the total amount due at lease signing.

* * * * *

(d) Advertisement of terms that require additional disclosure. (1) Triggering terms. An advertisement that states any of the following items shall contain the disclosures required by paragraph (d)(2) of this section, except as provided in paragraphs (e) and (f) of this section:

(i) The amount of any payment; ►or◄

[(ii) The number of required payments; or]

[(iii) ►(ii)◄ A statement of any capitalized cost reduction or other payment required prior to or at consummation, or that no payment is required.

(2) Additional terms. An advertisement stating any item listed in paragraph (d)(1) of this section shall also state the following items:

(i) That the transaction advertised is a lease;

(ii) The total amount due at lease signing ►or delivery, whichever is later◄, or that no payment is required;

(iii) The number, amounts, ►and◄ due dates or periods of scheduled payments[, and total of such payments] under the lease;

[(iv) A statement of whether or not the lessee has the option to purchase the leased property, and where the lessee has the option to purchase at the end of the lease term, the purchase-option price. The method of determining the purchase-option price may be substituted in disclosing the lessee's option to purchase the leased property prior to the end of the lease term;]

[(v)] ►(iv)◄ A statement of ► whether or not a security deposit is required◄ [the amount, or the method for determining the amount, of the lessee's liability (if any) at the end of the lease term that] ; and

[(vi)] ►(v)◄ A statement [of the lessee's liability] ►that an extra charge may be imposed at the end of the lease term where the lessee is liable◄ (if any) for the difference between the residual value of the leased property and its realized value at the end of the lease term.

* * * * *

5. Appendix A to part 213 is amended by revising Appendix A-1 and Appendix A-2 to read as follows:

Federal Consumer Leasing Act Disclosures

Date _____

Lessor(s) _____

Lessee(s) _____

Amount Due at Lease Signing (Itemized below)*	Monthly Payments	Other Charges (not part of your monthly payment)	Total of Payments (The amount you will have paid by the end of the lease)
\$ _____	Your first monthly payment of \$ _____ is due on _____, followed by _____ payments of \$ _____ due on the _____ of each month. The total of your monthly payments is \$ _____.	Disposition fee (if you do not purchase the vehicle) \$ _____ [[Annual tax] _____] _____ Total \$ _____	\$ _____ You will owe an additional amount if the actual value of the vehicle is less than the residual value.

*** Itemization of Amount Due at Lease Signing**

Amount Due At Lease Signing:	How the Amount Due at Lease Signing will be paid:
Capitalized cost reduction \$ _____	Net trade-in allowance \$ _____
First monthly payment _____	Rebates and noncash credits _____
Refundable security deposit _____	Amount to be paid in cash _____
Title fees _____	
Registration fees _____	

Total \$ _____	Total \$ _____

Your monthly payment is determined as shown below:

Gross capitalized cost. The agreed upon value of the vehicle (\$ _____) and any items you pay over the lease term (such as service contracts, insurance, and any outstanding prior loan or lease balance)	\$ _____
If you want an itemization of this amount, please check this box <input type="checkbox"/>	
Capitalized cost reduction. The amount of any net trade-in allowance, rebate, noncash credit, or cash you pay that reduces the gross capitalized cost	-
	=
Adjusted capitalized cost. The amount used in calculating your base monthly payment	-
Residual value. The value of the vehicle at the end of the lease used in calculating your base monthly payment	-
Depreciation and any amortized amounts. The amount charged for the vehicle's decline in value through normal use and for other items paid over the lease term	=
	+
Rent charge. The amount charged in addition to the depreciation and any amortized amounts	=
Total of base monthly payments. The depreciation and any amortized amounts plus the rent charge	÷
Lease term. The number of months in your lease	=
Base monthly payment	+
Monthly sales/use tax	+
_____	= \$
Total monthly payment	_____

Rent and other charges. The total amount of rent and other charges imposed in connection with your lease \$ _____ .

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.

Excessive Wear and Use. You may be charged for excessive wear based on our standards for normal use [and for mileage in excess of _____ miles per year at the rate of _____ per mile].

Purchase Option at End of Lease Term. [You have an option to purchase the vehicle at the end of the lease term for \$ _____ [and a purchase option fee of \$ _____].] [You do not have an option to purchase the vehicle at the end of the lease term.]

Other Important Terms. See your lease documents for additional information on early termination, purchase options and maintenance responsibilities, warranties, late and default charges, insurance, and any security interest, if applicable.

[The following provisions are the nonsegregated disclosures required under Regulation M.]

Description of Leased Property				
Year	Make	Model	Body Style	Vehicle ID #

Official Fees and Taxes. The total amount you will pay for official and license fees, registration, title, and taxes over the term of your lease, whether included with your monthly payments or assessed otherwise: \$ _____.

Insurance. The following types and amounts of insurance will be acquired in connection with this lease:

_____ We (lessor) will provide the insurance coverage quoted above for a total premium cost of \$ _____.

_____ You (lessee) agree to provide insurance coverage in the amount and types indicated above.

End of Term Liability. (a) The residual value (\$ _____) of the vehicle is based on a reasonable, good faith estimate of the value of the vehicle at the end of the lease term. If the actual value of the vehicle at that time is greater than the residual value, you will have no further liability under this lease, except for other charges already incurred [and are entitled to a credit or refund of any surplus.] If the actual value of the vehicle is less than the residual value, you will be liable for any difference up to \$ _____ (3 times the monthly payment). For any difference in excess of that amount, you will be liable only if:

1. Excessive use or damage [as described in paragraph ____] [representing more than normal wear and use] resulted in an unusually low value at the end of the term.

2. The matter is not otherwise resolved and we win a lawsuit against you seeking a higher payment.

3. You voluntarily agree with us after the end of the lease term to make a higher payment.

Should we bring a lawsuit against you, we must prove that our original estimate of the value of the leased property at the end of the lease term was reasonable and was made in good faith. For example, we might prove that the actual was less than the original estimated value, although the original estimate was reasonable, because of an unanticipated decline in value for that type of vehicle. We must also pay your attorney's fees.

(b) If you disagree with the value we assign to the vehicle, you may obtain, at your own expense, from an independent third party agreeable to both of us, a professional appraisal of the _____ value of the leased vehicle which could be realized at sale. The appraised value shall then be used as the actual value.

Standards for Wear and Use. The following standards are applicable for determining unreasonable or excess wear and use of the leased vehicle:

Maintenance.

[You are responsible for the following maintenance and servicing of the leased vehicle:

_____].

[We are responsible for the following maintenance and servicing of the leased vehicle:

_____].

Warranties. The leased vehicle is subject to the following express warranties:

_____.

Early Termination and Default. (a) You may terminate this lease before the end of the lease term under the following conditions:

_____.

The charge for such early termination is:

_____.

(b) We may terminate this lease before the end of the lease term under the following conditions:

_____.

Upon such termination we shall be entitled to the following charge(s) for:

_____.

(c) To the extent these charges take into account the value of the vehicle at termination, if you disagree with the value we assign to the vehicle, you may obtain, at your own expense, from an independent third party agreeable to both of us, a professional appraisal of the _____ value of the leased vehicle which could be realized at sale. The appraised value shall then be used as the actual value.

Security Interest. We reserve a security interest of the following type in the property listed below to secure performance of your obligations under this lease:

_____.

Late Payments. The charge for late payments is: _____.

Option to Purchase Leased Property Prior to the End of the Lease. [You have an option to purchase the leased vehicle prior to the end of the term. The price will be [\$ _____ / [the method of determining the price].] [You do not have an option to purchase the leased vehicle.]

Federal Consumer Leasing Act Disclosures

Date _____

Lessor(s) _____

Lessee(s) _____

Amount Due at Lease Signing (Itemized below)* \$ _____	Monthly Payments Your first monthly payment of \$ _____ is due on _____, followed by _____ payments of \$ _____ due on the _____ of each month. The total of your monthly payments is \$ _____.	Other Charges (not part of your monthly payment) Disposition fee (if you do not purchase the vehicle) \$ _____ [[Annual tax] _____] Total \$ _____	Total of Payments (The amount you will have paid by the end of the lease) \$ _____
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*** Itemization of Amount Due at Lease Signing**

Amount Due At Lease Signing:

How the Amount Due at Lease Signing will be paid:

Capitalized cost reduction \$ _____
 First monthly payment _____
 Refundable security deposit _____
 Title fees _____
 Registration fees _____

 Total \$ _____

Net trade-in allowance \$ _____
 Rebates and noncash credits _____
 Amount to be paid in cash _____

 Total \$ _____

Your monthly payment is determined as shown below:

Gross capitalized cost. The agreed upon value of the vehicle (\$ _____) and any items you pay over the lease term (such as service contracts, insurance, and any outstanding prior loan or lease balance)\$ _____

If you want an itemization of this amount, please check this box

Capitalized cost reduction. The amount of any net trade-in allowance, rebate, noncash credit, or cash you pay that reduces the gross capitalized cost - _____

Adjusted capitalized cost. The amount used in calculating your base monthly payment = _____

Residual value. The value of the vehicle at the end of the lease used in calculating your base monthly payment - _____

Depreciation and any amortized amounts. The amount charged for the vehicle's decline in value through normal use and for other items paid over the lease term = _____

Rent charge. The amount charged in addition to the depreciation and any amortized amounts + _____

Total of base monthly payments. The depreciation and any amortized amounts plus the rent charge = _____

Lease term. The number of months in your lease ÷ _____

Base monthly payment = _____

Monthly sales/use tax + _____

_____ + _____

Total monthly payment = \$ _____

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.

Excessive Wear and Use. You may be charged for excessive wear based on our standards for normal use [and for mileage in excess of _____ miles per year at the rate of _____ per mile].

Purchase Option at End of Lease Term. [You have an option to purchase the vehicle at the end of the lease term for \$ _____ [and a purchase option fee of \$ _____].] [You do not have an option to purchase the vehicle at the end of the lease term.]

Other Important Terms. See your lease documents for additional information on early termination, purchase options and maintenance responsibilities, warranties, late and default charges, insurance, and any security interest, if applicable.

[The following provisions are the nonsegregated disclosures required under Regulation M.]

Description of Leased Property				
Year	Make	Model	Body Style	Vehicle ID #

Official Fees and Taxes. The total amount you will pay for official and license fees, registration, title, and taxes over the term of your lease, whether included with your monthly payments or assessed otherwise: \$ _____.

Insurance. The following types and amounts of insurance will be acquired in connection with this lease:

_____ We (lessor) will provide the insurance coverage quoted above for a total premium cost of \$ _____.

_____ You (lessee) agree to provide insurance coverage in the amount and types indicated above.

Standards for Wear and Use. The following standards are applicable for determining unreasonable or excess wear and use of the leased vehicle:

Maintenance.

[You are responsible for the following maintenance and servicing of the leased vehicle:

_____].

[We are responsible for the following maintenance and servicing of the leased vehicle:

_____].

Warranties. The leased vehicle is subject to the following express warranties:

Early Termination and Default. (a) You may terminate this lease before the end of the lease term under the following conditions:

The charge for such early termination is:

(b) We may terminate this lease before the end of the lease term under the following conditions:

Upon such termination we shall be entitled to the following charge(s) for:

(c) To the extent these charges take into account the value of the vehicle at termination, if you disagree with the value we assign to the vehicle, you may obtain, at your own expense, from an independent third party agreeable to both of us, a professional appraisal of the _____ value of the leased vehicle which could be realized at sale. The appraised value shall then be used as the actual value.

Security Interest. We reserve a security interest of the following type in the property listed below to secure performance of your obligations under this lease:

Late Payments. The charge for late payments is: _____

Option to Purchase Leased Property Prior to the End of the Lease. [You have an option to purchase the leased vehicle prior to the end of the term. The price will be [\$ _____ / [the method of determining the price].] [You do not have an option to purchase the leased vehicle.]

["THIS SIGNATURE PAGE PERTAINS TO THE PROPOSED RULE REGULATION M;
DOCKET NO. R-0952, CONSUMER LEASING"]

By order of the Board of Governors of the Federal Reserve System, December 17, 1996.

William W. Wiles,
Secretary of the Board.