

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: Final Rule.

SUMMARY: The Board is publishing 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 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 final rule makes the disclosure of upfront costs in connection with a specific lease agreement parallel statutory changes to the advertising rules disclosing upfront costs -- which now include total amounts due by lease signing or delivery, if delivery occurs later. Several technical amendments also have been made to the regulation.

DATES: Effective date. April 1, 1997. Compliance date. Compliance is optional until October 1, 1997.

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 Diane Jenkins, 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. Revised Regulatory Provisions

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); the amendments allow 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, by the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (Pub. L. 104-208, 110 Stat. 3009)(the 1996 Act). The Board issued a proposal in December 1996 (62 FR 62, January 2, 1997). Nineteen comments were received. Based on the comments and further analysis, the Board's final rule implements the statutory changes. The final rule also revises the requirement to disclose "upfront costs" to parallel the statutory change made to a similar advertising disclosure -- now requiring the total amount due by lease signing to include amounts due by delivery, whichever occurs later. The open- and closed-end model lease forms have been amended to reflect this change. This final rulemaking also contains some 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 vehicle lease model forms. Although a limited number of comments were received, generally all the commenters supported the proposed amendments. The final rule is discussed in detail in the section-by-section analysis below.

III. Revisions to Regulation M

SECTION 213.2 Definitions.

2(f) Gross capitalized cost.

Based on comments on the proposed revisions to the Official Staff Commentary published in February 1997, the Board is replacing the reference in § 213.2(f) to an outstanding "loan" balance with the broader term "credit" to encompass both loan and credit sale balances. Consistent revisions have also been made to § 213.4(f)(1) and the open- and closed-end vehicle lease model forms.

SECTION 213.4 Content of disclosures.

4(b) Amount due at lease signing or delivery.

The 1996 Act revised the advertising disclosure of upfront fees to include amounts due by delivery, if delivery occurs after consummation, but the Congress did not enact a conforming change to the transaction disclosure. The Board did not propose to amend the transaction disclosure to make it consistent with the statutory change to the advertising rules. Several commenters (including two Reserve Banks, a lease trade association representing mostly independent lessors, and an association of state attorneys generals) urged the Board to reconsider this issue, suggesting the disclosure of upfront fees in advertising and those given for specific transactions should be consistent to avoid consumer confusion. Major trade associations, consumer interest representatives, and the Federal Trade Commission, responding to the proposed revisions to the Official Staff Commentary, also strongly recommended the revision. Consumers would not normally distinguish between charges paid at lease signing and by delivery, if delivery occurs latter. Under the current rules any charges payable after a lease is executed would have to be disclosed as "other charges." A consistent rule on the disclosure of upfront fees to include amounts due at delivery would not require lessors to retrain their personnel to think of these post-consummation fees as "other charges" and not "upfront fees," thus reducing the potential for technical violations of the law that could give rise to civil liability.

The Board believes that having a consistent rule for the advertising and the transaction disclosures would benefit both consumers and lessors. Consumers would have in one place the total sum necessary to take possession of the leased property, and the risk of making technical errors would be reduced for lessors. Pursuant to its authority under section 105(a) of the TILA and section 187 of the CLA, the Board is revising the disclosure of the total amount due at or prior to consummation to include amounts due at delivery, when delivery occurs after consummation, to parallel the changes that the Congress made to the advertising disclosure. The open- and closed-end vehicle lease model forms also reflect this change. 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 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."

4(f) Payment calculation.

4(f)(1) Gross capitalized cost.

As discussed in § 213.2(f), "loan" is replaced by "credit" in § 213.4(f)(1).

4(n) Fees and taxes.

In the September 1996 final rule, § 213.4(n) 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" has been deleted from this section.

4(o) Insurance.

The Board has revised 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.

4(t) Gross capitalized cost and residual value.

The final rule required the disclosure of the gross capitalized cost and residual value for motor vehicle open-end leases in place of the previous requirements to disclose the value at consummation, the total lease obligation, and other related disclosures pursuant to section 182(10) of the statute. Although such consumer leases are extremely rare, similar disclosures are required for non-motor vehicle open-end leases in order to comply with the CLA. Section 213.4(t) includes that requirement.

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. Two commenters objected to the use of the term "rent" stating that the term implies the entire lease payment and not a portion of the lease payment. The Board believes that it is defined differently by the regulation and noted as such on the open- and closed-end vehicle lease model forms. For clarity and consistency in terminology throughout the regulation, the Board has replaced the term "lease charge" with the term "rent charge."

SECTION 213.7 Advertising.

Prior to the 1996 Act, the advertising provisions required additional disclosure if an advertisement stated 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 makes changes in all but one of the items that must be disclosed when a triggering term is stated in an advertisement, 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 include amounts due at delivery if delivery occurs after consummation. The requirement to state that no payment is required has been eliminated.
- (3) The number, amounts, due dates or periods of scheduled payments, and total of such payments under the lease. The total of scheduled payments has been

- 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 leased property and its realized value at the end of the lease term. This disclosure has been simplified to require a short statement that an additional charge may be imposed.

The 1996 Act adds an additional disclosure requirement: a statement of whether or not a security deposit is required. The final rule implements the statutory changes.

7(b) Clear and conspicuous standard.

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

The general rule in this paragraph states that any reference to a charge that is part of the total amount due at lease signing or delivery may not be more prominent than the disclosure of the total amount due at lease signing or delivery. The amount of any capitalized cost reduction (or no capitalized cost reduction) provided as an example of an amount that is a part of the total amount due at lease signing or delivery has been deleted. The example will be included in 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 has deleted 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) has been 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 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 changes to implement the statutory amendment, the delivery charge is included in the total even if it is paid after consummation.

The requirement to disclose under paragraph 7(d)(2)(ii) that no upfront payment is

required was deleted by the 1996 Act. This requirement, inadvertently retained in the proposal, has been eliminated from paragraph 7(d)(2)(ii).

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) have been deleted. A statement of whether or not a security deposit is required is added by the statute and is contained in 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).

Few comments were received on the statutory changes to the advertising provisions. One commenter, however, requested that the Board retain the disclosure on lease end charges in paragraph 7(d)(2)(v), based on a belief that deletion of paragraph 7(d)(2)(v) could lead to deceptive advertisements where certain costs are shifted from the beginning to the end of the lease so that a low monthly payment or low upfront costs can be advertised and not any significant fee required at the end of the lease. Although the commenter raises a valid concern, the Board believes that retaining paragraph 7(d)(2)(v) would not be consistent with the congressional intent to streamline the advertising disclosures. Paragraph 7(d)(2)(v) is deleted as proposed.

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 for radio advertisements. The Board proposed to delete the requirement for radio advertisements based on its belief that in streamlining the advertising rules generally the Congress did not intend to require more disclosures for radio advertisements than advertisements through other media. Pursuant to the Board's exception authority under section 105(a), the Board is adopting as proposed a final rule to delete the disclosure of the "total of scheduled payments" for radio advertisements as well.

Appendices

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

The Board has amended the model forms for open- and closed-end vehicle 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.

As discussed in § 213.2(f), "loan" is replaced by "credit" in the disclosure of the gross capitalized cost on the open- and closed-end vehicle lease model forms.

IV. 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 amendments to Regulation M. Overall, the amendments are not expected to have any significant impact on small entities. The regulatory revisions, primarily required to implement the 1996 Act, ease compliance by streamlining the advertising provisions.

V. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506 *et seq.*), the Board reviewed the final rule under the authority delegated to the Board by the Office of Management and Budget. 5 CFR 1320 Appendix A.1.

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 revisions to §§ 213.4 and 213.5 are estimated to have no effect on the hour burden that the regulation imposes. The revisions to § 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 final rule. These estimates are the same as those included

in the notice of proposed rulemaking since no comments specifically addressing the burden estimate were received.

The disclosures made by lessors to consumers under Regulation M are mandatory (15 U.S.C. 1667 *et seq.*). 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. Because the Federal Reserve does not collect any information, no issue of confidentiality under the Freedom of Information Act normally arises. If the Board were to obtain information through examination of a supervised institution, the information would be kept confidential. 5 U.S.C. 552(b)(8).

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.

The Federal Reserve has a continuing interest in members of the public's opinions of our collections of information. At any time, comments regarding the burden estimate, or any other aspect of this collection of information, including suggestions for reducing the burden, may be sent to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0202), Washington, D.C. 20503.

List of Subjects in 12 CFR Part 213

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

For the reasons set forth in the preamble, the Board amends 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 213.1 is amended by revising paragraph (a) to read as follows:

§ 213.1 Authority, scope, purpose, and enforcement .

(a) Authority. The regulation in this part, known as Regulation M, is issued by the Board of Governors of the Federal Reserve System to implement the consumer leasing provisions of the Truth in Lending Act, which is Title I of the Consumer Credit Protection Act, as amended (15 U.S.C. 1601 *et seq.*). Information collection requirements contained in this regulation have been approved by the Office of Management and Budget under the provisions of 44 U.S.C. 3501 *et seq.* and have been assigned OMB control number 7100-0202.

* * * * *

3. Section 213.2 is amended by revising the first sentence of paragraph (f) to read as follows:

§ 213.2 Definitions.

* * * * *

(f) Gross capitalized cost means the amount agreed upon by the lessor and the lessee as the value of the leased property and any items that are capitalized or amortized during the lease term, including but not limited to taxes, insurance, service agreements, and any outstanding prior credit or lease balance. * * *

* * * * *

4. Section 213.4 is amended as follows:

- a. Paragraph (b) is revised;
- b. Paragraph (f)(1) is revised.
- c. Paragraph (n) is revised;
- d. The headings of paragraphs (o)(1) and (o)(2) are revised; and
- e. New paragraph (t) is added.

The revisions and additions read as follows:

§ 213.4 Content of disclosures.

* * * * *

(b) Amount due at lease signing or delivery. The total amount to be paid prior to or at consummation or by delivery, if delivery occurs after consummation, using the term "amount due at lease signing or delivery." The lessor shall itemize each component by type and amount, including any refundable security deposit, advance monthly or other periodic payment, and capitalized cost reduction; and in motor-vehicle leases, shall itemize how the amount due will be paid, by type and amount, including any net trade-in allowance, rebates, noncash credits, and cash payments in a format substantially similar to the model forms in appendix A of this part.

* * * * *

(f) Payment calculation. * * *

(1) Gross capitalized cost. The gross capitalized cost, including a disclosure of the agreed upon value of the vehicle, a description such as "the agreed upon value of the vehicle [state the amount] and any items you pay for over the lease term (such as service contracts, insurance, and any outstanding prior credit or lease balance)," and a statement of the lessee's option to receive a separate written itemization of the gross capitalized cost. If requested by the lessee, the itemization shall be provided before consummation.

* * * * *

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

(o) Insurance. * * *

(1) Through the lessor. * * *

(2) Through a third party. * * *

* * * * *

(t) Non-motor vehicle open-end leases. Non-motor vehicle open-end leases remain subject to section 182(10) of the act regarding end of term liability.

5. Section 213.5 is amended by revising paragraph (d)(1) to read as follows:

§ 213.5 Renegotiations, extensions, and assumptions.

(d) Exceptions. ***

(1) A reduction in the rent charge;

6. Section 213.7 is amended as follows:

a. Paragraph (b)(1) is revised;

b. Under paragraph (d)(1), paragraph (d)(1)(i) is revised, paragraph (d)(1)(ii) is removed, and paragraph (d)(1)(iii) is redesignated as (d)(1)(ii);

c. Under paragraph (d)(2), paragraphs (d)(2)(ii) and (d)(2)(iii) are revised, paragraph (d)(2)(iv) is removed, paragraphs (d)(2)(v) and (d)(2)(vi) are revised and redesignated as paragraphs (d)(2)(iv) and (d)(2)(v), respectively.

The revisions and redesignations read as follows:

§ 213.7 Advertising.

(b) Clear and conspicuous standard. ***

(1) Amount due at lease signing or delivery. Except for the statement of a periodic payment, any affirmative or negative reference to a charge that is a part of the disclosure required under paragraph (d)(2)(ii) of this section shall not be more prominent than that disclosure.

(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) A statement of any capitalized cost reduction or other payment required prior to or at consummation or by delivery, if delivery occurs after consummation.

(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 prior to or at consummation or by delivery, if delivery occurs after consummation;

(iii) The number, amounts, and due dates or periods of scheduled payments under the lease;

(iv) A statement of whether or not a security deposit is required; and

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

7. 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 or Delivery (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) \$ _____ _____ Total \$ _____	Total of Payments (The amount you will have paid by the end of the lease) \$ _____ You will owe an additional amount if the actual value of the vehicle is less than the residual value.
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*** Itemization of Amount Due at Lease Signing or Delivery**

Amount Due At Lease Signing or Delivery:		How the Amount Due at Lease Signing or Delivery 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 credit 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 or Delivery (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) \$ _____ _____ 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 or Delivery**

Amount Due At Lease Signing or Delivery:	How the Amount Due at Lease Signing or Delivery 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 credit 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	=\$ _____

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 RELATES TO THE FINAL RULE, REGULATION M, DOCKET R-0952, CONSUMER LEASING"]

By order of the Board of Governors of the Federal Reserve System, March 27, 1997.

Jennifer J. Johnson
Deputy Secretary of the Board.