

FINAL BILL REPORT

SHB 2680

C 113 L 98

Synopsis as Enacted

Brief Description: Clarifying the definition of capitalized cost for purposes of the consumer leasing act.

Sponsors: By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives L. Thomas and Wolfe).

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Institutions, Insurance & Housing

Background: Consumer leases of vehicles are governed by federal and state law. Both federal and state law require that a lessor disclose certain information to the lessee. However, the requirements of federal and state law differ.

Federal Law. Federal law defines "gross capitalized cost" as the amount the lessor and the lessee agreed upon as the value of the leased property and any items that are capitalized or amortized during the lease term.

Federal law also requires that the lessor disclose, among other things, the total amount the lessee must pay prior to or at consummation. For vehicle leases, this disclosure must include an itemization of how the lessee will pay the amount due by type and amount. Federal law also requires a warning to consumers that early termination may result in significant costs.

State Law. State law defines "capitalized cost" as the amount the lessor places on the vehicle. Federal law may supersede this definition.

Consumer leases of motor vehicles must include a statement of any capitalized cost reduction stated as a total and the identity and amount of each component. The lease must also contain a warning to consumers that early termination may result in significant costs. This warning is similar but not identical to the warning required by federal law.

Disclosures complying with federal law are deemed to comply with state law.

Summary: The term "capitalized cost" is changed to "gross capitalized cost," which enables the federal definition of gross capitalized cost to supersede the state definition.

Consistent with federal law, the lease agreement must contain a statement of the total amount to be paid prior to or at consummation. This disclosure must itemize how the lessee will pay the amount due by type and amount.

The requirement that the capitalized cost reduction state the identity and amount of each component is deleted. The warning requirement is also deleted.

Votes on Final Passage:

House 96 0

Senate 41 0

Effective: June 11, 1998