
SUBSTITUTE HOUSE BILL 2680

State of Washington

55th Legislature

1998 Regular Session

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

Read first time 02/02/98. Referred to Committee on .

1 AN ACT Relating to clarifying the definition of capitalized cost
2 for purposes of the consumer leasing act; and amending RCW 63.10.020
3 and 63.10.040.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 63.10.020 and 1995 c 112 s 1 are each amended to read
6 as follows:

7 As used in this chapter, unless the context otherwise requires:

8 (1) The term "adjusted capitalized cost" means the agreed-upon
9 amount that serves as the basis for determining the periodic lease
10 payment, computed by subtracting from the gross capitalized cost any
11 capitalized cost reduction.

12 (2) The term "gross capitalized cost" means the amount ascribed by
13 the lessor to the vehicle including optional equipment, plus taxes,
14 title, license fees, lease acquisition and administrative fees,
15 insurance premiums, warranty charges, and any other product, service,
16 or amount amortized in the lease. However, any definition of gross
17 capitalized cost adopted by the federal reserve board to be used in the
18 context of mandatory disclosure of the gross capitalized cost to

1 lessees in consumer motor vehicle lease transactions supersedes the
2 definition of gross capitalized cost in this subsection.

3 (3) The term "capitalized cost reduction" means any payment made by
4 cash, check, or similar means, any manufacturer rebate, and net trade
5 allowance granted by the lessor at the inception of the lease for
6 the purpose of reducing the gross capitalized cost but does not include
7 any periodic lease payments due at the inception of the lease or all of
8 the periodic lease payments if they are paid at the inception of the
9 lease.

10 (4) The term "consumer lease" means a contract of lease or bailment
11 for the use of personal property by a natural person for a period of
12 time exceeding four months, and for a total contractual obligation not
13 exceeding twenty-five thousand dollars, primarily for personal, family,
14 or household purposes, whether or not the lessee has the option to
15 purchase or otherwise become the owner of the property at the
16 expiration of the lease, except that such term shall not include any
17 lease which meets the definition of a retail installment contract under
18 RCW 63.14.010 or the definition of a lease-purchase agreement under
19 chapter 63.19 RCW. The twenty-five thousand dollar total contractual
20 obligation in this subsection shall not apply to consumer leases of
21 motor vehicles. The inclusion in a lease of a provision whereby the
22 lessee's or lessor's liability, at the end of the lease period or upon
23 an earlier termination, is based on the value of the leased property at
24 that time, shall not be deemed to make the transaction other than a
25 consumer lease. The term "consumer lease" does not include a lease for
26 agricultural, business, or commercial purposes, or to a government or
27 governmental agency or instrumentality, or to an organization.

28 (5) The term "lessee" means a natural person who leases or is
29 offered a consumer lease.

30 (6) The term "lessor" means a person who is regularly engaged in
31 leasing, offering to lease, or arranging to lease under a consumer
32 lease.

33 **Sec. 2.** RCW 63.10.040 and 1995 c 112 s 2 are each amended to read
34 as follows:

35 (1) In any lease contract subject to this chapter, the following
36 items, as applicable, shall be disclosed:

37 (a) A brief description of the leased property, sufficient to
38 identify the property to the lessee and lessor.

1 (b) The total amount of any payment, such as a refundable security
2 deposit paid by cash, check, or similar means, advance payment,
3 capitalized cost reduction, or any trade-in allowance, appropriately
4 identified, to be paid by the lessee at consummation of the lease.

5 (c) The number, amount, and due dates or periods of payments
6 scheduled under the lease and the total amount of the periodic
7 payments.

8 (d) The total amount paid or payable by the lessee during the lease
9 term for official fees, registration, certificate of title, license
10 fees, or taxes.

11 (e) The total amount of all other charges, individually itemized,
12 payable by the lessee to the lessor, which are not included in the
13 periodic payments. This total includes the amount of any liabilities
14 the lease imposes upon the lessee at the end of the term, but excludes
15 the potential difference between the estimated and realized values
16 required to be disclosed under (m) of this subsection.

17 (f) A brief identification of insurance in connection with the
18 lease including (i) if provided or paid for by the lessor, the types
19 and amounts of coverages and cost to the lessee, or (ii) if not
20 provided or paid for by the lessor, the types and amounts of coverages
21 required of the lessee.

22 (g) A statement identifying any express warranties or guarantees
23 available to the lessee made by the lessor or manufacturer with respect
24 to the leased property.

25 (h) An identification of the party responsible for maintaining or
26 servicing the leased property together with a brief description of the
27 responsibility, and a statement of reasonable standards for wear and
28 use, if the lessor sets such standards.

29 (i) A description of any security interest, other than a security
30 deposit disclosed under (b) of this subsection, held or to be retained
31 by the lessor in connection with the lease and a clear identification
32 of the property to which the security interest relates.

33 (j) The amount or method of determining the amount of any penalty
34 or other charge for delinquency, default, or late payments.

35 (k) A statement of whether or not the lessee has the option to
36 purchase the leased property and, if at the end of the lease term, at
37 what price, and, if prior to the end of the lease term, at what time,
38 and the price or method of determining the price.

1 (l) A statement of the conditions under which the lessee or lessor
2 may terminate the lease prior to the end of the lease term and the
3 amount or method of determining the amount of any penalty or other
4 charge for early termination.

5 (m) A statement that the lessee shall be liable for the difference
6 between the estimated value of the property and its realized value at
7 early termination or the end of the lease term, if such liability
8 exists.

9 (n) Where the lessee's liability at early termination or at the end
10 of the lease term is based on the estimated value of the leased
11 property, a statement that the lessee may obtain at the end of the
12 lease term or at early termination, at the lessee's expense, a
13 professional appraisal of the value which could be realized at sale of
14 the leased property by an independent third party agreed to by the
15 lessee and the lessor, which appraisal shall be final and binding on
16 the parties.

17 (o) Where the lessee's liability at the end of the lease term is
18 based upon the estimated value of the leased property:

19 (i) The value of the property at consummation of the lease, the
20 itemized total lease obligation at the end of the lease term, and the
21 difference between them.

22 (ii) That there is a rebuttable presumption that the estimated
23 value of the leased property at the end of the lease term is
24 unreasonable and not in good faith to the extent that it exceeds the
25 realized value by more than three times the average payment allocable
26 to a monthly period, and that the lessor cannot collect the amount of
27 such excess liability unless the lessor brings a successful action in
28 court in which the lessor pays the lessee's attorney's fees, and that
29 this provision regarding the presumption and attorney's fees does not
30 apply to the extent the excess of estimated value over realized value
31 is due to unreasonable wear or use, or excessive use.

32 (iii) A statement that the requirements of (o)(ii) of this
33 subsection do not preclude the right of a willing lessee to make any
34 mutually agreeable final adjustment regarding such excess liability.

35 (p) In consumer leases of motor vehicles:

36 (i) The gross capitalized cost stated as a total and the identity
37 of the components listed in the definition of gross capitalized cost
38 and the respective amount of each component;

1 (ii) Any capitalized cost reduction stated as a total ((and the
2 identity of the components and the respective amount of each
3 component));

4 (iii) A statement of adjusted capitalized cost;

5 (iv) ((A disclosure, in proximity to the lessees signature, in not
6 less than ten point bold type to the lessee: "WARNING!: EARLY
7 TERMINATION UNDER THIS LEASE MAY RESULT IN SIGNIFICANT COSTS TO YOU THE
8 CONSUMER. READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ALL PROVISIONS
9 BEFORE SIGNING. GET ALL PROMISES IN WRITING. ORAL PROMISES ARE
10 DIFFICULT TO ENFORCE."); and

11 (v)) If the lessee trades in a motor vehicle, the amount of any
12 sales tax exemption for the agreed value of the traded vehicle and any
13 reduction in the periodic payments resulting from the application of
14 the sales tax exemption shall be disclosed in the lease contract; and

15 (v) A statement of the total amount to be paid prior to or at
16 consummation or by delivery, if delivery occurs after consummation.
17 The lessor shall itemize each component by type and amount and shall
18 itemize how the total amount will be paid, by type and amount.

19 (2) Where disclosures required under this chapter are the same as
20 those required under Title I of the federal consumer protection act (90
21 Stat. 257, 15 U.S.C. Sec. 1667 et seq.), which is also known as the
22 federal consumer leasing act, as of the date upon which the consumer
23 lease is executed, disclosures complying with the federal consumer
24 leasing act shall be deemed to comply with the disclosure requirements
25 of this chapter.

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