
SUBSTITUTE SENATE BILL 5121

State of Washington

53rd Legislature

1993 Regular Session

By Senate Committee on Law & Justice (originally sponsored by Senators A. Smith, Rinehart and Quigley)

Read first time 02/26/93.

1 AN ACT Relating to consumer leases of automobiles; amending RCW
2 63.10.020 and 63.10.040; adding a new section to chapter 63.10 RCW; and
3 creating a new section.

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

5 **Sec. 1.** RCW 63.10.020 and 1992 c 134 s 15 are each amended to read
6 as follows:

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

8 (1) The term "consumer lease" means a contract of lease or bailment
9 for the use of personal property by a natural person for a period of
10 time exceeding four months, and for a total contractual obligation not
11 exceeding twenty-five thousand dollars, primarily for personal, family,
12 or household purposes, whether or not the lessee has the option to
13 purchase or otherwise become the owner of the property at the
14 expiration of the lease, except that such term shall not include any
15 lease which meets the definition of a retail installment contract under
16 RCW 63.14.010 or the definition of a lease-purchase agreement under
17 chapter 63.19 RCW. The twenty-five thousand dollar maximum in this
18 subsection shall not apply to consumer leases of motor vehicles. The
19 inclusion in a lease of a provision whereby the lessee's or lessor's

1 liability, at the end of the lease period or upon an earlier
2 termination, is based on the value of the leased property at that time,
3 shall not be deemed to make the transaction other than a consumer
4 lease. The term "consumer lease" does not include a lease for
5 agricultural, business, or commercial purposes, or to a government or
6 governmental agency or instrumentality, or to an organization.

7 (2) The term "lessee" means a natural person who leases or is
8 offered a consumer lease.

9 (3) The term "lessor" means a person who is regularly engaged in
10 leasing, offering to lease, or arranging to lease under a consumer
11 lease.

12 **Sec. 2.** RCW 63.10.040 and 1983 c 158 s 4 are each amended to read
13 as follows:

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

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

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

22 (c) The number, amount, and due dates or periods of payments
23 scheduled under the lease and the total amount of the periodic
24 payments. If the lessee trades in a motor vehicle, the amount of the
25 sales tax exemption for the agreed value of the traded vehicle and any
26 reduction in the periodic payments resulting from the application of
27 the sales tax exemption shall be disclosed in the lease contract. The
28 disclosures shall appear substantially as follows:

29 SALES TAX EXEMPTION FOR TRADED VEHICLE

30 (i)	<u>Value of traded vehicle</u>	<u>\$.</u>
31 (ii)	<u>Net trade-in allowance</u>	<u>\$.</u>
32 (iii)	<u>Excess of traded vehicle value over trade-</u>	
33	<u>in allowance ((i) minus (ii))</u>	<u>\$.</u>
34 (iv)	<u>Sales tax rate (.0xx)</u>	
35 (v)	<u>Sales tax exemption ((iii) multiplied by</u>	
36	<u>(iv))</u>	<u>\$.</u>
37 (vi)	<u>Monthly sales tax</u>	<u>\$.</u>

1 (vii) Number of months of sales tax exemption
 2 ((v) divided by (vi))

3 MONTHLY PAYMENT

	<u>First</u>	<u>Next</u>	<u>Last</u>
	<u>. . .payment(s)</u>	<u>. . .payment(s)</u>	<u>. . .payment(s)</u>
4 <u>Base monthly payment</u>	\$.	\$.	\$.
5 <u>Monthly sales tax</u>	\$.	\$.	\$.
6 <u>Other.</u>	\$.	\$.	\$.
7 <u>Total monthly payment</u>	\$.	\$.	\$.

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

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

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

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

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

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

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

37 (k) A statement of whether or not the lessee has the option to
 38 purchase the leased property and, if at the end of the lease term, at

1 what price, and, if prior to the end of the lease term, at what time,
2 and the price or method of determining the price.

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

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

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

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

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

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

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

37 (p) If the lease is for a motor vehicle, a statement of the capital
38 cost, which shall be the value ascribed to the motor vehicle by the
39 dealer for purposes of setting the lease payments.

1 (2) Except for subsection (1)(p) of this section, section 3 of this
2 act, and the twenty-five thousand dollar limit under RCW 63.10.020
3 applying to a consumer lease for a motor vehicle, any consumer lease
4 which complies with the disclosure requirements of Title I of the
5 federal consumer protection act (90 Stat. 257, 15 U.S.C. Sec. 1667 et
6 seq.), which is also known as the federal consumer leasing act, as of
7 the date upon which the consumer lease is executed, shall be deemed to
8 comply with the disclosure requirements of this chapter.

9 NEW SECTION. Sec. 3. A new section is added to chapter 63.10 RCW
10 to read as follows:

11 A seller-lessor of a consumer lease for a motor vehicle that
12 includes the option to purchase at the end of the lease term shall
13 provide in the consumer lease a statement substantially as follows:

14 "I (We) understand that this is a lease transaction with an option
15 to purchase and will not result in ownership of this vehicle unless I
16 choose to exercise the option to purchase by paying or arranging to pay
17 the residual cost of this vehicle and applicable taxes at the
18 conclusion of this agreement."

19 NEW SECTION. Sec. 4. The attorney general shall report to the
20 legislature in January 1995 on the implementation of this act.

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