

Public Law 94-240
94th Congress

An Act

To amend the Truth in Lending Act to protect consumers against inadequate and misleading leasing information, assure meaningful disclosure of lease terms, and limit ultimate liability in connection with leasing of personal property primarily for personal, family, or household purposes, and for other purposes.

Mar. 23, 1976
[H.R. 8835]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Consumer Leasing Act of 1976".

Consumer
Leasing Act of
1976.
15 USC 1601
note.

FINDINGS AND PURPOSE

SEC. 2. Section 102 of the Truth in Lending Act (15 U.S.C. 1601) is amended by inserting "(a)" before the first sentence, and adding the following subsection:

"(b) The Congress also finds that there has been a recent trend toward leasing automobiles and other durable goods for consumer use as an alternative to installment credit sales and that these leases have been offered without adequate cost disclosures. It is the purpose of this title to assure a meaningful disclosure of the terms of leases of personal property for personal, family, or household purposes so as to enable the lessee to compare more readily the various lease terms available to him, limit balloon payments in consumer leasing, enable comparison of lease terms with credit terms where appropriate, and to assure meaningful and accurate disclosures of lease terms in advertisements."

DISCLOSURE OF LEASE TERMS

SEC. 3. The Truth in Lending Act (15 U.S.C. 1601-1665) is amended by adding at the end thereof a new chapter as follows:

"Chapter 5—CONSUMER LEASES

"Sec.

"181. Definitions.

"182. Consumer lease disclosures.

"183. Lessee's liability on expiration or termination of lease.

"184. Consumer lease advertising.

"185. Civil liability.

"186. Relation to State laws.

"§ 181. Definitions

"For purposes of this chapter—

15 USC 1667.

"(1) The term 'consumer lease' means a contract in the form of a lease or bailment for the use of personal property by a natural person for a period of time exceeding four months, and for a total contractual obligation not exceeding \$25,000, primarily for personal, family, or household purposes, whether or not the lessee has the option to purchase or otherwise become the owner of the property at the expiration of the lease, except that such term shall not include any credit sale as defined in section 103(g). Such term does not include a lease for agricultural, business, or commercial purposes, or to a government or governmental agency or instrumentality, or to an organization.

15 USC 1602.

“(2) The term ‘lessee’ means a natural person who leases or is offered a consumer lease.

“(3) The term ‘lessor’ means a person who is regularly engaged in leasing, offering to lease, or arranging to lease under a consumer lease.

“(4) The term ‘personal property’ means any property which is not real property under the laws of the State where situated at the time offered or otherwise made available for lease.

“(5) The terms ‘security’ and ‘security interest’ mean any interest in property which secures payment or performance of an obligation.

“§ 182. Consumer lease disclosures

15 USC 1667a.

“Each lessor shall give a lessee prior to the consummation of the lease a dated written statement on which the lessor and lessee are identified setting out accurately and in a clear and conspicuous manner the following information with respect to that lease, as applicable:

“(1) A brief description or identification of the leased property;

“(2) The amount of any payment by the lessee required at the inception of the lease;

“(3) The amount paid or payable by the lessee for official fees, registration, certificate of title, or license fees or taxes;

“(4) The amount of other charges payable by the lessee not included in the periodic payments, a description of the charges and that the lessee shall be liable for the differential, if any, between the anticipated fair market value of the leased property and its appraised actual value at the termination of the lease, if the lessee has such liability;

“(5) A statement of the amount or method of determining the amount of any liabilities the lease imposes upon the lessee at the end of the term and whether or not the lessee has the option to purchase the leased property and at what price and time;

“(6) A statement identifying all express warranties and guarantees made by the manufacturer or lessor with respect to the leased property, and identifying the party responsible for maintaining or servicing the leased property together with a description of the responsibility;

“(7) A brief description of insurance provided or paid for by the lessor or required of the lessee, including the types and amounts of the coverages and costs;

“(8) A description of any security interest held or to be retained by the lessor in connection with the lease and a clear identification of the property to which the security interest relates;

“(9) The number, amount, and due dates or periods of payments under the lease and the total amount of such periodic payments;

“(10) Where the lease provides that the lessee shall be liable for the anticipated fair market value of the property on expiration of the lease, the fair market value of the property at the inception of the lease, the aggregate cost of the lease on expiration, and the differential between them; and

“(11) A statement of the conditions under which the lessee or lessor may terminate the lease prior to the end of the term and the amount or method of determining any penalty or other charge for delinquency, default, late payments, or early termination.

The disclosures required under this section may be made in the lease contract to be signed by the lessee. The Board may provide by regulation that any portion of the information required to be disclosed under

this section may be given in the form of estimates where the lessor is not in a position to know exact information.

“§ 183. Lessee’s liability on expiration or termination of lease

“(a) Where the lessee’s liability on expiration of a consumer lease is based on the estimated residual value of the property such estimated residual value shall be a reasonable approximation of the anticipated actual fair market value of the property on lease expiration. There shall be a rebuttable presumption that the estimated residual value is unreasonable to the extent that the estimated residual value exceeds the actual residual value by more than three times the average payment allocable to a monthly period under the lease. In addition, where the lessee has such liability on expiration of a consumer lease there shall be a rebuttable presumption that the lessor’s estimated residual value is not in good faith to the extent that the estimated residual value exceeds the actual residual value by more than three times the average payment allocable to a monthly period under the lease and such lessor shall not collect from the lessee the amount of such excess liability on expiration of a consumer lease unless the lessor brings a successful action with respect to such excess liability. In all actions, the lessor shall pay the lessee’s reasonable attorney’s fees. The presumptions stated in this section shall not apply to the extent the excess of estimated over actual residual value is due to physical damage to the property beyond reasonable wear and use, or to excessive use, and the lease may set standards for such wear and use if such standards are not unreasonable. Nothing in this subsection shall preclude the right of a willing lessee to make any mutually agreeable final adjustment with respect to such excess residual liability, provided such an agreement is reached after termination of the lease.

15 USC 1667b.

“(b) Penalties or other charges for delinquency, default, or early termination may be specified in the lease but only at an amount which is reasonable in the light of the anticipated or actual harm caused by the delinquency, default, or early termination, the difficulties of proof of loss, and the inconvenience or nonfeasibility of otherwise obtaining an adequate remedy.

“(c) If a lease has a residual value provision at the termination of the lease, the lessee may obtain at his expense, a professional appraisal of the leased property by an independent third party agreed to by both parties. Such appraisal shall be final and binding on the parties.

“§ 184. Consumer lease advertising

“(a) No advertisement to aid, promote, or assist directly or indirectly any consumer lease shall state the amount of any payment, the number of required payments, or that any or no downpayment or other payment is required at inception of the lease unless the advertisement also states clearly and conspicuously and in accordance with regulations issued by the Board each of the following items of information which is applicable:

15 USC 1667c.

“(1) That the transaction advertised is a lease.

“(2) The amount of any payment required at the inception of the lease or that no such payment is required if that is the case.

“(3) The number, amounts, due dates or periods of scheduled payments, and the total of payments under the lease.

“(4) That the lessee shall be liable for the differential, if any, between the anticipated fair market value of the leased property and its appraised actual value at the termination of the lease, if the lessee has such liability.

“(5) A statement of the amount or method of determining the amount of any liabilities the lease imposes upon the lessee at the

end of the term and whether or not the lessee has the option to purchase the leased property and at what price and time.

“(b) There is no liability under this section on the part of any owner or personnel, as such, of any medium in which an advertisement appears or through which it is disseminated.

“§ 185. Civil liability

15 USC 1667d.

“(a) Any lessor who fails to comply with any requirement imposed under section 182 or 183 of this chapter with respect to any person is liable to such person as provided in section 130.

15 USC 1640.

“(b) Any lessor who fails to comply with any requirement imposed under section 184 of this chapter with respect to any person who suffers actual damage from the violation is liable to such person as provided in section 130. For the purposes of this section, the term ‘creditor’ as used in sections 115, 130, and 131 shall include a lessor as defined in this chapter.

“Creditor.”

15 USC 1614,
1641.

“(c) Notwithstanding section 130(e), any action under this section may be brought in any United States district court or in any other court of competent jurisdiction. Such actions alleging a failure to disclose or otherwise comply with the requirements of this chapter shall be brought within one year of the termination of the lease agreement.

“§ 186. Relation to State laws

15 USC 1667e.

“(a) This chapter does not annul, alter, or affect, or exempt any person subject to the provisions of this chapter from complying with, the laws of any State with respect to consumer leases, except to the extent that those laws are inconsistent with any provision of this chapter, and then only to the extent of the inconsistency. The Board is authorized to determine whether such inconsistencies exist. The Board may not determine that any State law is inconsistent with any provision of this chapter if the Board determines that such law gives greater protection and benefit to the consumer.

“(b) The Board shall by regulation exempt from the requirements of this chapter any class of lease transactions within any State if it determines that under the law of that State that class of transactions is subject to requirements substantially similar to those imposed under this chapter or that such law gives greater protection and benefit to the consumer, and that there is adequate provision for enforcement.”

AMENDMENTS TO SECTION 130

15 USC 1640.

SEC. 4. Section 130 of the Truth in Lending Act is amended as follows:

(1) In subsection (a), after “chapter 4” insert “or 5”.

(2) In clause (2)(A) of subsection (a), insert “(i)” after “(A)”, and insert after “transaction” a comma and the following: “or (ii) in the case of an individual action relating to a consumer lease under chapter 5 of this title, 25 per centum of the total amount of monthly payments under the lease”.

Ante, p. 257.

(3) In paragraph (2)(B) of subsection (a), strike out “lesser of \$100,000” and insert in lieu thereof “lesser of \$500,000”.

(4) In subsection (b), insert “or chapter 5” after “this chapter” and strike out the word “finance”.

(5) In subsection (g), after “this chapter”, insert “or chapter 4 or 5 of this title”, and insert after “consumer loan” a comma and “consumer lease”.

CONFORMING AMENDMENT

SEC. 5. The table of chapters of the Truth in Lending Act is amended by adding at the end thereof the following:

"5. Consumer Leases..... 181".

EFFECTIVE DATE

SEC. 6. This Act takes effect one year after the date of its enactment. 15 USC 1667 note.

Approved March 23, 1976.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 94-544 (Comm. on Banking, Currency and Housing) and No. 94-872 (Comm. of Conference).

SENATE REPORT No. 94-590 (Comm. on Banking, Housing and Urban Affairs).

CONGRESSIONAL RECORD:

Vol. 121 (1975): Oct. 28, considered and passed House.

Vol. 122 (1976): Feb. 2, considered and passed Senate, amended.

Mar. 9, Senate and House agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS:

Vol. 12, No. 13 (1976): Mar. 23, Presidential statement.

