

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8027]
January 5, 1977]

REGULATION Z

Proposed Lease Disclosure Statements

To All Member Banks, and Others Concerned,
in the Second Federal Reserve District:

Following is the text of a statement issued December 23 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today published for public comment proposed sample forms and instructions that could be used by lessors to comply with the Board's regulations implementing the Consumer Leasing Act of 1976.

The Board requested comment through January 21, 1977.

The three sample forms and the accompanying instructions for their use, were proposed as Board interpretations of its Regulation Z (which implements the Truth in Lending Act and the Consumer Leasing Act). When properly used, the forms would constitute adequate disclosure of lease terms as required by Regulation Z.

The Board amended Regulation Z to carry out the provisions of the Consumer Leasing Act on October 13, 1976. The Act and its implementing Regulation become effective March 23, 1977.

The forms proposed today concern three types of leasing: open-end and closed-end vehicle leasing and furniture leasing. They would be disclosure statements, not lease contracts.

The Board asked that comment be directed especially to the adequacy and intelligibility of the instructions for using the disclosure forms; style, format, design and the use of simplified language in the forms, whether additional or less information should be included in the forms; whether there are problems inherent in the types of leasing involved not addressed by the proposed interpretations and whether the disclosure language of Item 14 of the open-end vehicle leasing statement (Interpretation Sec. 226.1501) is an adequate and readily understandable statement of the limitations of the lessee's liability at the end of the lease term.

Reprinted on the following pages is an extract from the *Federal Register* of December 29, 1976, which contains the text of Board's proposal. Comments thereon should be submitted by January 21, 1977, and may be sent to our Bank Regulations Department.

PAUL A. VOLCKER,
President.

proposed rules

This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

FEDERAL RESERVE SYSTEM

[12 CFR Part 226]

[Docket No. R-0070; Reg. Z]

PART 226—TRUTH IN LENDING

Proposed Board Interpretations of Regulation Z; Sample Lease Disclosure Statements

The Board is publishing for comment three proposed Board interpretations of Regulation Z in the form of sample lease disclosure statements. These sample statements are being proposed to facilitate lessor compliance with the Consumer Leasing Act of 1976 (Pub. L. 94-240) and amendments to Regulation Z issued by the Board on October 8, 1976. (41 FR 45537, October 15, 1976) which implemented the Act.

The Board believes that the proposed interpretations will be, when properly used, adequate disclosure statements of lease terms as required by Regulation Z. When finalized, their proper use will protect lessors from liability for violations of the Consumer Leasing Act, as provided by 15 U.S.C. 1640(f). The Board wishes to emphasize, however, that these forms are not the exclusive format by which compliance with the Regulation may be achieved. Lessors remain free to design and implement other forms and sequences of disclosure.

There are disclosure statements for three types of leasing transactions: (1) Open-end or finance vehicle leasing, (2) Closed-end or net vehicle leasing and (3) Furniture leasing. The Board solicits comment on whether these three forms are sufficient to encompass most types of consumer leasing.

Detailed instructions for each form are included in the proposed interpretations. These instructions are an integral part of the forms and were designed to provide guidance to those persons actually completing them. The Board asks that comments be directed to the adequacy and intelligibility of the instructions.

The Board has completed a form for each type of leasing transaction and the completed forms accompany the proposed interpretations. These completed forms are not part of the interpretations, however, and are provided for informational purposes only.

The forms are designed as disclosure statements and not as lease contracts. The Board has chosen to propose these interpretations as disclosure statements rather than as contracts in order to avoid imposition of contract terms upon the lease parties. Lessors who wish to provide disclosures on the contract document rather than on a separate disclosure statement may incorporate the disclosure into a contract as permitted by § 226.15(a)(1). Further, the forms have a skeletal design, which will permit lessors to provide specific disclosure language. The Board is concerned that lessors have the greatest amount of flexibility in structuring their lease agreements and disclosures. Similarly, the design of the forms is such that lessors may provide any permissible language for the specific disclosures. An exception to this skeletal format is the language of Item 14 in Interpretation § 226.1501 (the open-end vehicle lease statement) which contains specified language for the end-term liability disclosures required by § 226.15(b)(ii) and (iii).

The disclosures must be made only if they are applicable to the lessor's particular lease. Any inapplicable disclosure may be deleted from the form. The Board has provided brackets around disclosures which are alternative in nature, e.g., the disclosures concerning purchase options.

To insure compliance with the form and protection from liability, lessors should not alter the wording of the statements, except in those instances (e.g., initial payments, total of other charges)

where provision has been made for deletion or substitution of terms. The numbering system used in the statements may also be deleted.

Use of the instructions is not required; they may be disregarded by lessors or other instructions may be substituted, provided they are not used to circumvent the Regulation in any manner.

The open end vehicle lease disclosure statement is reproduced on two pages in the FEDERAL REGISTER because of page size limitations. It can be reproduced on a single side of a legal size page.

The Board invites comment on all facets of the proposed interpretations and particularly on those issues indicated in the previous discussion and below:

1. The proposed skeletal design of the forms and their issuance as disclosure statements rather than as lease contracts.
2. The general style and format of the forms and the manner in which they could be improved.
3. The use of simplified language throughout the forms.
4. Whether there are unnecessary disclosures in the form and whether information which is not required should be added in order to render the forms more understandable to consumers.
5. Whether there are problems peculiar to each type of consumer leasing encompassed by the forms which are not adequately addressed in the proposed interpretations.
6. Whether the disclosure language of Item 14 in Interpretation § 226.1501 is an adequate and readily understandable statement of the limitations on the lesser's end-term liability.

The deadline for receipt of written comments is January 21, 1977. Comments should be addressed to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Comments should include a reference to Docket No. R-0070.

Pursuant to the authority granted in 15 U.S.C. 1604 (1968) the Board proposes to issue the following interpretations of 12 CFR Part 226:

PROPOSED RULES

SECTION 226.1501---OPEN-END OR FINANCE
VEHICLE LEASE DISCLOSURE STATEMENT

DATE _____

1. LESSOR(S) _____

LESSEE(S) _____

4. Description of leased property

YEAR	MAKE	MODEL	BODY MAKE	SERIAL #

3. Initial Charges, consisting of: (Actual dollar amounts may, but need not be itemized.)
 Advance Payment Refundable Security Deposit Trade-in Allowance
 Delivery Charge (Other-must be identified) \$ _____

4. The term of this lease is _____ (e.g., # of weeks, months, quarters) The first periodic payment is due on _____; subsequent payments on the _____ of each _____ thereafter.

5. Amount of each periodic payment: _____ (May include charges for taxes and insurance.)

6. Total of Periodic Payments: _____ x _____ = _____ \$ _____

7. Total of Other Charges Payable to Lessor: Disposition Charge \$ _____
 Maintenance \$ _____ (Other-must be itemized) \$ _____

8. Official Fees and Taxes
 Total amount you will pay during the term for official fees, registration, certificate of title, license fees and taxes. \$ _____

9. Insurance
 The following types and amounts of insurance are required in connection with this lease: (e.g., physical damage, personal liability, uninsured motorist insurance).
 We (lessor) will provide the insurance coverage quoted above for a premium cost of \$ _____ payable _____
 You (lessee) agree to provide insurance coverage in the amounts and types indicated above.

10. Estimated value of the vehicle at the end of the lease term: (Your liability for this sum is limited. See Item 14.) \$ _____

11. Total lease obligation: Items 3, 6 and 10 but excluding any refundable security deposit and insurance premiums. \$ _____

12. Initial Value of Vehicle: \$ _____

13. Difference: (Item 11 less Item 12.) \$ _____

14. End of Term Liability

Federal law requires us to tell you the following:

(a) The estimated value of the vehicle stated in Item 10 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 estimated value, you will have no further liability under this lease (and are entitled to a credit or refund of any surplus).

If the actual value of the vehicle is less than its estimated value, you will be liable for any difference up to \$ _____ (3 times Item 3).

For any difference in excess of that amount, you will be liable only if:

1. Excessive use or damage represented more than normal wear and tear and therefore resulted in an unusually low value at the end of the term.
2. You voluntarily agree with us after the end of the lease term to make a higher payment.

3. The matter is not otherwise resolved and we win a lawsuit against you seeking 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 value 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.

Unless we prove that the excess amount owed was the result of excessive use or unreasonable wear and tear, we will pay your reasonable attorney's fees.

(b) If you disagree with the actual value assigned to the vehicle, you may obtain, at your own expense, a professional appraisal of the value of the leased vehicle which could be realized at sale by an independent third party agreeable to both of us. The appraised value shall then be used as the actual value.

15. Early Termination and Default

(a) [Prior to the end of the lease term you may terminate this lease under the following conditions: _____]

[The charge for such early termination is* _____]

(b) [Prior to the end of the lease term we may terminate this lease under the following conditions: [Occurrence of default (specify) _____]

[Specify any other conditions] _____]

[Upon such termination we shall be entitled to the following charge(s) for [default* _____]

[Specify other charges)* _____]

(c) To the extent these charges take into account the value of the vehicle at the end of the lease term, you have the same right to a professional appraisal as upon lease expiration (Item 14(c)).

16. 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: _____

17. Late Payments*

The charge for late payments is _____

PROPOSED RULES

18 Lessee's Option to Purchase

[You have an option to purchase the leased vehicle at the following times: _____]

[If at the end of the term the price will be \$ _____]
 [If prior to end of the term the price will be \$* _____]

[Lessee has no option to purchase the leased vehicle.]

19. Warranties

The leased vehicle is subject to the following express warranties: (Identify any manufacturer's or lessor's warranties available to the lessee.) _____

20. 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: _____]

21 Standards for wear and use

The following standards are applicable for determining unreasonable or excessive wear and use of the leased vehicle: (e.g., No more than _____ miles during the lease term, compliance with manufacturer's warranty maintenance schedule.) _____

* May use amount or method of determining the amount.

INSTRUCTIONS FOR COMPLETION OF § 226.1501— OPEN-END OR FINANCE VEHICLE LEASE DIS- CLOSURE STATEMENT

GENERAL INSTRUCTIONS

Completion of this form may be facilitated by reference to the following instructions. Any question as to the permissibility or accuracy of a specific disclosure may be answered by reference to Regulation Z, 12 CFR Part 226.

Information which is required to be disclosed may be estimated if the information is unknown or unavailable, provided that the information is clearly identified as an estimate and the estimate is based on the best information available and is reasonable (§ 226.6(f)).

Any inapplicable disclosures may be deleted.

All numerical amounts must be stated in figures and shall be printed in not less than the equivalent of ten point type or elite type-written numerals or legibly handwritten (§ 226.6(a)).

Certain numerical items may be disclosed by giving the amount or the method of determining the amount. These items are identified by an asterisk.

SPECIFIC INSTRUCTIONS

Item 1. The disclosures must be made on a written dated statement. All lessors and lessees must be identified by name (§ 226.15(a)). If, for example, one person arranges the lease and another person enters into the lease with the lessee, both must be identified as lessors (§ 226.2 (n) and (oo)). An address may augment the identification but need not be supplied as part of the disclosure form.

Item 2. This disclosure provides a brief description of the leased property (§ 226.15(b)(1)). Lessors may include a more detailed description including, for example, special accessories. There is no requirement that a serial number for the vehicle be disclosed.

Item 3. This disclosure shows the total amount of any initial payment the customer must make when the lease is entered into (§ 226.15(b)(2)). The components of the initial payment must be identified and may, at the lessor's option, be itemized with respect to dollar amount. The checklist is provided to aid in the identification.

The initial payment does not include any periodic payment disclosed under Item 5 even though a periodic payment may be due prior to delivery of the leased property.

Items 4, 5 and 6. When completed, these combined items disclose the term of the lease, the number, amount and due dates of each periodic payment, and the total amount of all periodic payments to be made under the lease (§ 226.15(b)(3)). The amount shown for each periodic payment should include any incidental charges for taxes, insurance or both, if those charges are payable as part of the periodic payment.

Item 7. This item discloses other charges payable to the lessor (§ 226.15(b)(15)). This excludes charges for official fees, taxes, insurance and charges disclosed under other items.

Item 8. This item discloses the total amount to be paid by the lessee during the lease term for taxes and other official fees (§ 226.15(b)(4)).

Item 9. This item requires disclosure of the types and amounts of insurance coverage, with their costs, if the insurance is provided by the lessor (§ 226.15(b)(6)(i)). In the alternative, the types and amounts of coverage required of the lessee must be disclosed (§ 226.15(b)(6)(ii)).

Item 10. This item provides for disclosure of the estimated value of the leased vehicle at the end of the term, an element of the "total lease obligation" (§ 226.15(b)(15)(i)). The reference to item 14 is to call the lessee's attention to the qualifying disclosures in that item required by §§ 226.15(b)(14) and 226.15(b)(15)(ii) and (iii).

Item 11, 12 and 13. These items provide for disclosure of the difference between the total lease obligation and the property's value at the inception of the lease. The definition of "total lease obligation" (§ 226.2 (rr)) is the sum of any initial charges (Item 3), the total of periodic payments (Item 6) and the estimated value of the property at the end of the term (Item 10), excluding any refundable security deposit and insurance premiums contained in the periodic payments. The Board has indicated it does not consider these latter amounts properly includable in the total lease obligation. 41 Fed. Reg. 45537.

Item 14. This item provides disclosures with respect to the lessee's liability at the end of the lease term. The bracketed phrase in the second sentence is appropriate only where the lessee will be given any surplus resulting from the disposition. Item 14(a) implements, in lay language, the disclosures required by § 226.15(b)(15)(ii) and (iii). Item 14(b) discloses the lessee's right to an

independent appraisal required by § 226.15(b)(14).

Item 15. When completed, this item discloses the conditions under which the lessee and lessor may terminate the lease prior to the end of the lease term. It also discloses the amount or method of determining the amount of the charge which the lessee must pay for early termination (§ 226.15(b)(12)). This item also discloses the amount or method of determining the amount of any default charges (§ 226.15(b)(10)).

Item 16. This disclosure of the security taken must include, in the space provided, a brief identification of the types of security interest and an identification of the property covered by each (§ 226.15(b)(9)).

Item 17. This disclosure, when completed, indicates the amount or method of determining the amount of any charges for late payment.

Item 18. This item provides alternative disclosures covering the several options a lessor may offer to a lessee to purchase the leased property. A lessor should use the disclosure applicable to the lease plan used. For example, if no option to purchase is offered, only the last sentence of the item need be used. If the lessor offers an option to purchase, the times at which it may be exercised must be supplied. The price must be disclosed for an option exercised at the end of the term and the price or method of computing the price for an option exercised during the lease term must be supplied (§ 226.15(b)(11)).

Item 19. This item discloses all express warranties on the leased property made by the manufacturer or lessor and available to the lessee. A brief identification of the warranty must be supplied. A reference to the standard manufacturer's warranty, for example, would suffice.

Item 20. This item provides for disclosure of the maintenance and servicing responsibilities (§ 226.15(b)(8)). These responsibilities may be allocated either to the lessor or to the lessee, or may be divided between them.

Item 21. When completed, this item discloses reasonable standards for wear and use established by the lessor. The lessor is permitted but not required to set such standards. Therefore, the disclosure may be omitted by lessors who do not set standards for wear and use (§ 226.15(b)(8)).

PROPOSED RULES

SECTION 226.1501---OPEN-END OR FINANCE
VEHICLE LEASE DISCLOSURE STATEMENT

DATE April 15, 1977

1. LESSOR(S)

Custom Auto Leasing

LESSEE(S)

Mary S. Roe

2. Description of leased property

YEAR	MAKE	MODEL	BODY MAKE	SERIAL #
1977	Ford	LTD	4 Door Sedan	8C40716001

3. Initial Charges, consisting of: (Actual dollar amounts may, but need not be itemized.)

<input checked="" type="checkbox"/> Advance Payment	<input type="checkbox"/> Refundable Security Deposit	<input type="checkbox"/> Trade-in Allowance	
<input checked="" type="checkbox"/> Delivery Charge	<input checked="" type="checkbox"/> Sales Tax on Advance Payment		\$ 580.00

4. The term of this lease is 24 months (e.g., # of weeks, months, quarters) The first periodic payment is due on 4/15/77; subsequent payments on the 5th of each month thereafter.

5. Amount of each periodic payment: \$146.50 Includes tax of \$ 8.29 on a monthly payment of \$138.21

6. Total of Periodic Payments: \$146.50 x 24 = \$3,516.00

7. Total of Other Charges Payable to Lessor: Disposition Charge \$ 50.00

8. Official Fees and Taxes** Total amount you will pay during the term for official fees, registration, certificate of title, license fees and taxes. \$ 338.96

9. Insurance The following types and amounts of insurance are required in connection with this lease: Comprehensive, \$100,000/300,000; Bodily injury, \$25,000; Property damage, \$100 deductible; Collision comprehensive, Actual value. We (lessor) will provide the insurance coverage quoted above for a premium cost of \$ 336.00 payable annually.

10. Estimated value of the vehicle at the end of the lease term: (Your liability for this sum is limited. See Item 14.) \$ 3,000.00

11. Total lease obligation: Items 3, 6 and 10 but excluding any refundable security deposit and insurance premiums. \$ 7,096.00

12. Initial Value of Vehicle: \$ 5,950.00

13. Difference: (Item 11 less Item 12.) \$ 1,146.00

14. End of Term Liability Federal law requires us to tell you the following:
(a) The estimated value of the vehicle stated in Item 10 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 estimated value, you will have no further liability under this lease [and are entitled to a credit or refund of any surplus].
If the actual value of the vehicle is less than its estimated value, you will be liable for any difference up to \$ 439.50 (3 times Item 3). For any difference in excess of that amount, you will be liable only if:
1. Excessive use or damage represented more than normal wear and tear and therefore resulted in an unusually low value at the end of the term.
2. You voluntarily agree with us after the end of the lease term to make a higher payment.
3. The matter is not otherwise resolved and we win a lawsuit against you seeking 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 value 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.
Unless we prove that the excess amount owed was the result of excessive use or unreasonable wear and tear, we will pay your reasonable attorney's fees.

(b) If you disagree with the actual value assigned to the vehicle, you may obtain, at your own expense, a professional appraisal of the value of the leased vehicle [which could be realized at sale] by an independent third party agreeable to both of us. The appraised value shall then be used as the actual value.

15. Early Termination and Default

(a) Prior to the end of the lease term you may terminate this lease under the following conditions: At any time after 6 months from the date of this agreement, on 30 days written notice, by surrendering the leased vehicle to us at our place of business.
The charge for such early termination is \$ 50.00 plus 50% of the remainder of periodic payments.

(b) [Prior to the end of the lease term we may terminate this lease under the following conditions: Occurrence of default/your failure to fulfill any obligation under the lease, including failure to make any payment; the institution of insolvency proceedings by or against you.
(Specify any other conditions)]

[Upon such termination we shall be entitled to the following charge(s) for default: \$ 50.00 plus all costs of retaking possession of the leased vehicle plus 50% of any remaining periodic payments.

(Specify other charges)*

(c) To the extent these charges take into account the value of the vehicle at the end of the lease term, you have the same right to a professional appraisal as upon lease expiration (Item 14(c)).

16. 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: A security interest in the leased vehicle described in the security agreement attached to the lease contract.

17. Late Payments

The charge for late payments is 3% per month on any amounts due and unpaid after 5 days.

PROPOSED RULES

18. Lessee's Option to Purchase

[You have an option to purchase the leased vehicle at the following times: At any time after 12 months from the date of the lease contract.

[If at the end of the term the price will be \$ 3,000.
If prior to end of the term the price will be \$* the estimated value of the vehicle at the end of the term plus 70% of all periodic payments unaccrued at the date the option is exercised.

[Lessee has no option to purchase the leased vehicle.]

19. Warranties

The leased vehicle is subject to the following express warranties: The vehicle is subject to the Ford new car warranty which accompanies the vehicle. Lessor makes no warranties, express or implied, of merchantability or fitness, with respect to the leased vehicle.

20. Maintenance

You are responsible for the following maintenance and servicing of the leased vehicle; All normal operating expenses, including gasoline, oil and lubrication; all maintenance and repairs necessary to maintain the leased vehicle in conformity with the standards for wear and use.

[We are responsible for the following maintenance and servicing of the leased vehicle;

21. Standards for wear and use

The following standards are applicable for determining unreasonable or excessive wear and use of the leased vehicle: No more than \$50,000 miles during the lease term; compliance with manufacturer's warranty maintenance schedule; no body or interior damage with an aggregate repair cost in excess of \$100.00.

* May use amount or method of determining the amount.

** Estimate

PROPOSED RULES

Section 226.1502---CLOSED-END OR NET
VEHICLE LEASE DISCLOSURE STATEMENT

Date _____

1. LESSOR(S) _____ LESSEE(S) _____

2. Description of leased property

YEAR	MAKE	MODEL	BODY MAKE	SERIAL #

3. Initial Charges, consisting of: (Actual dollar amounts may, but need not be itemized.)
 Advance Payment Refundable Security Deposit Trade-in Allowance
 Delivery Charge (Other-must be identified) \$ _____

4. The term of this lease is _____ (e.g., # of weeks, months, quarters). The first periodic payment is due on _____; subsequent payments on the _____ of each _____ thereafter.

5. Amount of each periodic payment: _____ (May include charges for taxes and insurance.)

6. Total of Periodic Payments: _____ X _____ = _____ \$ _____

7. Total of Other Charges Payable to Lessor: Disposition Charge \$ _____
 Maintenance \$ _____ (Other-must be itemized) \$ _____

8. Official Fees and Taxes
 Total amount you will pay during the term for official fees, registration, certificate of title, license fees and taxes. \$ _____

9. Insurance
 The following types and amounts of insurance are required in connection with this lease: (e.g., physical damage, personal liability, uninsured motorist insurance).
 We (lessor) will provide the insurance coverage quoted above for a premium cost of \$ _____ payable
 You (lessee) agree to provide insurance coverage in the amounts and types indicated above.

10. Early Termination and Default
 (a) Prior to the end of the lease term you may terminate this lease under the following conditions: _____
 [The charge for such early termination is*] _____
 (b) Prior to the end of the lease term we may terminate this lease under the following conditions: [Occurrence of default (specify) _____]
 [(Specify any other conditions) _____]

Upon such termination we shall be entitled to the following charge(s) for [default* _____]
 [(Specify other charges)* _____]

11. 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: _____

12. Late Payments*
 The charge for late payments is _____

13. Lessee's Option to Purchase
 [You have an option to purchase the leased vehicle at the following times: _____]
 [If at the end of the term the price will be \$ _____]
 [If prior to end of the term the price will be \$* _____]

[Lessee has no option to purchase the leased vehicle.]
 14. Warranties
 The leased vehicle is subject to the following express warranties: (Identify any manufacturer's or lessor's warranties available to the lessee.) _____

15. 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: _____]

16. Standards for wear and use
 The following standards are applicable for determining unreasonable or excessive wear and use of the leased vehicle: (e.g., No more than _____ miles during the lease term, compliance with manufacturer's warranty maintenance schedule.) _____

*May use amount or method of determining the amount.

PROPOSED RULES

INSTRUCTIONS FOR COMPLETION OF § 226.1502— CLOSED-END OR NET VEHICLE LEASE DIS- CLOSURE STATEMENT

GENERAL INSTRUCTIONS

Completion of this form may be facilitated by reference to the following instructions. Any question as to the permissibility or accuracy of a specific disclosure may be answered by reference to Regulation Z, 12 CFR Part 226.

Information which is required to be disclosed may be estimated if the information is unknown or unavailable, provided that the information is clearly identified as an estimate and the estimate is based on the best information available and is reasonable (§ 226.6(f)).

Any inapplicable disclosures may be deleted.

All numerical amounts must be stated in figures and shall be printed in not less than the equivalent of ten point type or elite type-written numerals or legibly handwritten (§ 226.6(a)).

Certain numerical items may be disclosed by giving the amount or the method of determining the amount. These items are identified by an asterisk.

SPECIFIC INSTRUCTIONS

Item 1. The disclosures must be made on a written dated statement. All lessors and lessees must be identified by name (§ 226.15(a)). If, for example, one person arranges the lease and another person enters into the lease with the lessee, both must be identified as lessors (§ 226.2 (n) and (oo)). An address may augment the identification but need not be supplied as part of the disclosure form.

Item 2. This disclosure provides a brief description of the leased property (§ 226.15(b)(1)). Lessors may include a more detailed description including, for example, special accessories. There is no requirement that a serial number for the vehicle be disclosed.

Item 3. This disclosure shows the total amount of any initial payment the customer must make when the lease is entered into (§ 226.15(b)(2)). The components of the initial payment *must* be identified and *may*, at the lessor's option, be itemized with respect to dollar amount. The checklist is provided to aid in the identification.

The initial payment does not include any periodic payment disclosed under Item 5 even though a periodic payment may be due prior to delivery of the leased property.

Items 4, 5 and 6. When completed, these combined items disclose the term of the lease, the number, amount and due dates of each periodic payment, and the total amount of all periodic payments to be made under the lease (§ 226.15(b)(3)). The amount shown for each periodic payment should include any incidental charges for taxes, insurance or both, if those charges are payable as part of the periodic payment.

Item 7. This item discloses other charges payable to the lessor (§ 226.15(b)(15)). This excludes charges for official fees, taxes, insurance and charges disclosed under other items.

Item 8. This item discloses the total amount to be paid by the lessee during the lease term for taxes and other official fees (§ 226.15(b)(4)).

Item 9. This item requires disclosure of the types and amounts of insurance coverage, with their costs, if the insurance is provided by the lessor (§ 226.15(b)(6)(i)). In the alternative, the types and amounts of coverage required of the lessee must be disclosed (§ 226.15(b)(6)(ii)).

Item 10. When completed, this item discloses the conditions under which the lessee and lessor may terminate the lease prior to the end of the lease term. It also discloses the amount or method of determining the amount of the charge which the lessee must pay for early termination (§ 226.15(b)(12)). This item also discloses the amount or

method of determining the amount of any default charges (§ 226.15(b)(10)).

Item 11. This disclosure of the security taken must include, in the space provided, a brief identification of the types of security interest and an identification of the property covered by each (§ 226.15(b)(9)).

Item 12. This disclosure, when completed, indicates the amount or method of determining the amount of any charges for late payment.

Item 13. This item provides alternative disclosures covering the several options a lessor may offer to a lessee to purchase the leased property. A lessor should use the disclosure applicable to the lease plan used. For example, if no option to purchase is offered, only the last sentence of the item need be used. If the lessor offers an option to purchase, the times at which it may be exercised must be supplied. The price must be disclosed for an option exercised at the end of the term and the price or method of computing the price for an option exercised during the lease term must be supplied (§ 226.15(b)(11)).

Item 14. This item discloses all express warranties on the leased property made by the manufacturer or lessor and available to the lessee. A brief identification of the warranty must be supplied. A reference to the standard manufacturer's warranty, for example, would suffice.

Item 15. This item provides for disclosure of the maintenance and servicing responsibilities (§ 226.15(b)(8)). These responsibilities may be allocated either to the lessor or to the lessee, or may be divided between them.

Item 16. When completed, this item discloses reasonable standards for wear and use established by the lessor. The lessor is permitted but not required to set such standards. Therefore, the disclosure may be omitted by lessors who do not set standards for wear and use (§ 226.15(b)(8)).

PROPOSED RULES

Section 27.1107---CLOSED-END OR NET
VEHICLE LEASE DISCLOSURE STATEMENT

Date 3/29/77

LESSOR(S) <u>U-Drive-It Car Rental</u>	LESSEE(S) <u>John P. Doe</u>			
1st National Bank				
2. Description of leased property				
YEAR <u>1977</u>	MAKE <u>Cadillac</u>	MODEL <u>Saville</u>	BODY MAKE <u>4 Door Sedan</u>	SERIAL # <u>9F51827112</u>
3. Initial Charges, consisting of: (Actual dollar amounts may, but need not, be itemized.)				
<input checked="" type="checkbox"/> Advance Payment				\$ 1,150.00
<input checked="" type="checkbox"/> Refundable Security Deposit				
<input checked="" type="checkbox"/> Delivery Charge				
<input checked="" type="checkbox"/> Sales Tax on Advance Payment				
<input type="checkbox"/> Trade-in Allowance				
4. The term of this lease is <u>48</u> months (e.g., # of weeks, months, quarters). The first periodic payment is due on <u>3/29/77</u> subsequent payments on the <u>15th</u> of each month thereafter.				
5. Amount of each periodic payment: <u>\$232.50</u> Includes sales tax of <u>\$11.07</u> per month.				
6. Total of Periodic Payments: <u>\$232.50</u> x <u>48</u> = <u>\$11,160</u>				\$11,160.00
7. Total of Other Charges Payable to lessor: <input checked="" type="checkbox"/> Disposition Charge \$ <u>50.00</u>				\$ 50.00
<input type="checkbox"/> Maintenance \$ _____				
8. Official Fees and Taxes**				\$ 837.36
Total amount you will pay during the term for official fees, registration, certificate of title, license fees and taxes. (including sales tax on advance and periodic payments.)				
9. Insurance				
The following types and amounts of insurance are required in connection with this lease: <u>\$ 100,000 / 300,000</u>				
Bodily Injury: \$ <u>25,000</u> Property Damage: \$ <u>100</u> Deductible Collision; Comprehensive, Actual Cash Value:				
<input checked="" type="checkbox"/> The Lessor will provide the insurance coverage quoted above for a premium cost of \$ <u>336.00</u> ** payable annually.				
<input type="checkbox"/> Yes (lessee) agree to provide insurance coverage in the amounts and types indicated above.				
10. Early Termination and Default				
(a) Prior to the end of the lease term you may terminate this lease under the following conditions: At any time after <u>12</u> months from the date of the lease, on <u>30</u> days written notice, by surrendering the leased vehicle at our place of business.				
The charge for such early termination is* <u>\$ 50.00</u> plus all periodic payments and other charges payable up to the date of the termination.				
(b) Prior to the end of the lease term we may terminate this lease under the following conditions: Occurrence of default Your failure to make any payment or fulfill any other obligation under the lease; the entry of any judgment or attachment against you.				
(Specify any other conditions)				
Upon such termination we shall be entitled to the following charge(s) for default* <u>\$ 50.00</u> plus all costs of retaking possession of the leased vehicle, plus <u>50%</u> of all unpaid periodic payments.				
[(Specify other charges)* _____]				
11. 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: A security interest in the leased vehicle described in the security agreement attached to the lease contract.				
12. Late Payments*				
The charge for late payments is <u>3%</u> per month for any amounts overdue for <u>10</u> days.				
13. Lessee's Option to Purchase				
You have an option to purchase the leased vehicle at the following times: <u>At the end of the lease term.</u>				
If at the end of the term the price will be \$ <u>4,200.00</u>				
If prior to end of the term the price will be \$* _____				
[Lessee has no option to purchase the leased vehicle.]				
14. Warranties				
The leased vehicle is subject to the following express warranties: <u>The vehicle is subject to the Cadillac new car warranty which accompanies the vehicle.</u>				
Lessor makes no warranties, express or implied, of merchantability or fitness, with respect to the leased vehicle.				
15. Maintenance				
You are responsible for the following maintenance and servicing of the leased vehicle: <u>All normal operating expenses, including gasoline, oil and lubrication; all maintenance and repairs necessary to maintain the leased vehicle in conformity with the standards for wear and use.</u>				
[We are responsible for the following maintenance and servicing of the leased vehicle. _____]				
16. Standards for Wear and Use				
The following standards are applicable for determining unreasonable or excessive wear and use of the leased vehicle: <u>No more than 50,000 miles during the lease term; compliance with manufacturer's warranty maintenance schedule; no body or interior damage with an aggregate repair cost in excess of \$100.</u>				

*May use amount or method of determining the amount.
**Estimate

PROPOSED RULES

SECTION 226.1503-- FURNITURE LEASE-DISCLOSURE STATEMENT

DATE _____

1. LESSOR(S)

LESSEE(S)

2. Description of leased property [its attached].

ITEMS	PRICE	COLOR	STOCK #	MFG.	QTY.

3. Initial Charges, consisting of: (Actual dollar amounts may, but need not be itemized.)
 Refundable Security Deposit Delivery Charge (Other-must be identified) \$ _____

4. The term of this lease is _____ (e.g., # of weeks, months, quarters) The first periodic payment is due on the _____ of _____; subsequent payments on the _____ of each _____ thereafter.

5. Amount of each periodic payment: _____ (May include charges for taxes and waiver fee or insurance.)

6. Total of Periodic Payments: _____ X _____ = _____ \$ _____

7. Total of Other Charges Payable to Lessor: Pick-up charge \$ _____ (Other-must be itemized) \$ _____ \$ _____

8. Official Fees and Taxes
 Total amount you will pay during the term for official fees and taxes. \$ _____

9. Insurance
 You (lessee) agree to provide insurance coverage of the following types in the following amounts: _____
 We (lessor) will provide the following types and amounts of insurance coverage at the cost indicated: _____
 You agreed to pay the following waiver fee in lieu of insurance: \$ _____ This amount is payable _____

10. Maintenance
 You are responsible for the following maintenance of the leased property: _____
 We are responsible for the following maintenance of the leased property: _____

11. Standards for wear and use
 The following standards are applicable for determining unreasonable or excessive wear and use of the leased property: _____

12. Early Termination and Default
 (a) [Prior to the end of the lease term you may terminate this lease under the following conditions: _____]
 [The charge for such early termination is* _____]
 (b) [Prior to the end of the lease term we may terminate this lease under the following conditions: [Occurrence of default (specify) _____]
 [(Specify other conditions) _____]
 [Upon such termination we shall be entitled to the following charge(s) for [default* _____]
 [(Specify other charges)* _____]

13. Security Interest
 We reserve a security interest of the following type in the listed property to secure performance of your obligations under this lease: _____

14. Late Payments*
 The charge for late payments is _____

15. Lessee's Option to Purchase
 You have an option to purchase any or all items of the leased property at the following times: _____
 [If at the end of the term the price will be \$ _____]
 [If prior to end of the term the price will be \$* _____]
 [Lessee has no option to purchase the leased property.]

16. Warranties
 The leased property is subject to the following express warranties: (Identify any manufacturer's or Lessor's warranties available to the lessee.) _____

* May use amount or method of determining the amount.

PROPOSED RULES

INSTRUCTIONS FOR COMPLETION OF § 226.1503— FURNITURE LEASE DISCLOSURE STATEMENT GENERAL INSTRUCTIONS

Completion of this form may be facilitated by reference to the following instructions. Any questions as to the permissibility or accuracy of a specific disclosure may be answered by reference to Regulation Z, 12 CFR Part 226.

Information which is required to be disclosed may be estimated if the information is unknown or unavailable, provided that the information is clearly identified as an estimate and the estimate is based on the best information available and is reasonable (§ 226.6(f)).

Any inapplicable disclosures may be deleted.

All numerical amounts must be stated in figures and shall be printed in not less than the equivalent of ten point or elite typewritten numerals or legibly handwritten (§ 226.6(a)).

Certain numerical items may be disclosed by giving the amount or the method of determining the amount. These items are identified by an asterisk.

SPECIFIC INSTRUCTIONS

Item 1. The disclosures must be made on a written dated statement. All lessors and lessees must be identified by name (§ 226.15(a)). If, for example, one person arranges the lease and another person enters into the lease with the lessee, both must be identified as lessors (§ 226.2(n) and (oo)). An address may augment the identification but need not be supplied as part of the disclosure form.

Item 2. This disclosure provides a brief description of the leased item (§ 226.15(b)(1)). In the left column the name of the item should appear. The relevant entry should be made in the appropriate box in the columns to the right of the names of the items as indicated by the column headings. All of the descriptive elements in the column headings, except the one labelled "ITEMS," are examples only. Those which are inapplicable to a lease plan may be deleted. Other de-

scriptive column headings may be added (as indicated by the blank columns) if the lessor desires.

Item 3. This disclosure shows the total amount of any initial payment the customer must make when the lease is consummated (§ 226.15(b)(2)). The components of the initial payment must be identified and may, at the lessor's option, be itemized with respect to dollar amount. The checklist is provided to aid in the identification.

The initial payment does not include any periodic payment disclosed under item 5, even though a periodic payment may be due prior to delivery of the leased items.

Items 4, 5 and 6. When completed, these combined items disclose the term of the lease, the number, amount and due dates of each periodic payment, and the total amount of all periodic payments to be made under the lease (§ 226.15(b)(3)). The amount shown for each periodic payment should include any incidental charges for taxes, insurance or both, if those charges are payable as part of the periodic payment.

Item 7. This item discloses other charges payable to the lessor (§ 226.15(b)(5)). This excludes charges for official fees, taxes, insurance and charges disclosed under other items.

Item 8. This item discloses the total amount to be paid by the lessee during the lease term for taxes and other official fees (§ 226.15(b)(4)).

Item 9. This item provides alternative methods of disclosing insurance coverage. It provides a disclosure for situations in which the lessee provides the coverage, in which case the types and amounts of coverage must be specified (§ 226.15(b)(6)(ii)). It provides a disclosure for situations in which the lessee procures coverage through the lessor, in which case the types, amounts and costs of coverage must be specified (§ 226.15(b)(6)(i)). It also provides disclosure of a fee in lieu of insurance.

Item 10. This item, when completed, discloses the maintenance responsibilities of the parties. If only one party has mainte-

nance responsibilities the inapplicable disclosure may be omitted (§ 226.15(b)(8)).

Item 11. When completed, this item discloses standards for wear and use established by the lessor. The lessor is permitted, but not required, to set such standards (§ 226.15(b)(10)).

Item 12. When completed, this item discloses the conditions under which the lessee and lessor may terminate the lease prior to the end of the lease term. It also discloses the amount or method of determining the amount of the charge which the lessee must pay for early termination (§ 226.15(b)(12)). This item also discloses the amount or method of determining the amount of any default charges (§ 226.15(b)(10)).

Item 13. This disclosure of the security taken must include, in the space provided, a brief identification of the types of security interest and an identification of the property covered by each such interest (§ 226.15(b)(9)).

Item 14. This disclosure, when completed, indicates the amount or method of determining the amount of any charges for late payment.

Item 15. This item provides alternative disclosures covering the several options a lessor may offer to a lessee to purchase the leased property. A lessor should use the disclosure applicable to the lease plan used. For example, if no option to purchase is offered only the last sentence of the item need be used. If the lessor offers an option to purchase, the relevant times must be supplied. The price for exercise of the option at the end of the term must be disclosed and the price or method of computing the price for an exercise of the option during the lease term must be supplied (§ 226.15(b)(11)).

Item 16. This item discloses all express warranties applicable to the leased property made by the manufacturer or lessor and available to the lessee. A brief identification of the warranty must be supplied. A reference to the standard manufacturer's warranty would suffice (§ 226.15(b)(7)).

PROPOSED RULES

SECTION 226.1503-- FURNITURE LEASE DISCLOSURE STATEMENT

DATE May 1, 1977

1. LESSOR(S) XYZ Furniture Lessor, Inc. LESSEE(S) S. Customer

2. Description of leased property [is attached].

ITEMS	PRICE	COLOR	STOCK #	MFG.	QTY.
Sofa	\$650.00	Green	12345	Alpha Sofa Company	1
End Table	150.00	Mahogany	12346	Beta Furniture Company	2
Coffee Table	200.00	Mahogany	12347	Beta Furniture Company	1
Recliner Chair	500.00	Brown	12348	Gamma Chair Company	1

3. Initial Charges, consisting of: (Actual dollar amounts may, but need not be itemized.) <input checked="" type="checkbox"/> /Refundable Security Deposit <input checked="" type="checkbox"/> /Delivery Charge <input type="checkbox"/> /Other-must be identified	\$ 50.00
4. The term of this lease is <u>24</u> months. (e.g., # of weeks, months, quarters) The first periodic payment is due on the <u>1st</u> of <u>June</u> <u>1977</u> ; subsequent payments on the <u>1st</u> of each <u>month</u> thereafter.	
5. Amount of each periodic payment: <u>\$40.00</u> (May include charges for taxes and waiver fee or insurance.)	\$ 960.00
6. Total of Periodic Payments: <u>\$40.00</u> x <u>24</u> = <u>\$960.00</u>	
7. Total of Other Charges Payable to Lessor: <input checked="" type="checkbox"/> /Pick-up charge \$ <u>20.00</u> (Other-must be itemized) \$	\$ 20.00
8. Official Fees and Taxes Total amount you will pay during the term for official fees and taxes.	\$ 55.00**

9. Insurance
/You (lessee) agree to provide insurance coverage of the following types in the following amounts:
/Lessor will provide the following types and amounts of insurance coverage at the cost indicated: property damage insurance in the amount of \$1650.00 for a \$20.00 premium.
/You agree to pay the following waiver fee in lieu of insurance: \$ _____ This amount is payable _____

10. Maintenance
 You are responsible for the following maintenance of the leased property: Cleaning and repair of minor damage from ordinary use.
 We are responsible for the following maintenance of the leased property: Repair of major damage from ordinary use, if without such repairs the items are not functional.

11. Standards for wear and use
 The following standards are applicable for determining unreasonable or excessive wear and use of the leased property: Use of the leased property out of doors without protection from the elements will be considered unreasonable and excessive use.

12. Early Termination and Default
 (a) Prior to the end of the lease term you may terminate this lease under the following conditions: After expiration of 1/2 the lease term, if you give us 10 days written notice and the property is delivered to our place of business.
 The charge for such early termination is 1/2 the amount of the total of periodic payments unpaid at the time of termination, less taxes, plus \$20.00 pick up charge if we provide transport of the leased items.
 (b) Prior to the end of the lease term we may terminate this lease under the following conditions: Occurrence of default (specify) Failure to make a payment under the lease within 30 days after it is due or removal of the leased property from the State without our written permission.
 (Specify other conditions) _____
 Upon such termination we shall be entitled to the following charge(s) for [default* All unpaid periodic payments, less taxes and less unaccrued but previously paid taxes, less unaccrued but previously paid insurance premiums, plus \$20.00 pickup charge if we provide transport of the leased property.
 (Specify other charges)* _____

13. Security Interest
 We reserve a security interest of the following type in the listed property to secure performance of your obligations under this lease: A security interest, as evidenced by the document entitled "Security Agreement" attached hereto and made a part hereof, in the leased property.

14. Late Payments
 The charge for late payments is \$3.00 for each periodic payment late more than 10 days.

15. Lessee's Option to Purchase
 [You have an option to purchase any or all items of the leased property at the following times: At end of term or at any other time after 1/2 the term.
 [If at the end of the term the price will be Sofa - \$100.00, End Table - \$40.00, Coffee Table - \$45.00, Recliner Chair - \$90.00
 [If prior to end of the term the price will be computed by adding the end term purchase option price to the total periodic payments unpaid, less taxes, at the time of exercise of the option.

16. Warranties
 The leased property is subject to the following express warranties: Those warranties contained in documents entitled "Standard Manufacturers Warranty" attached hereto and made a part hereof.

* May use amount or method of determining the amount.

Board of Governors of the Federal Reserve System, December 20, 1976.
 THEODORE E. ALLISON,
 Secretary of the Board.
 [FR Doc.76-38114 Filed 12-28-76;8:45 am]