

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 8065 ]  
March 4, 1977

REGULATION Z  
Sample Lease Disclosure Forms to Facilitate Compliance  
with the Consumer Leasing Act of 1976

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

Following is the text of a statement issued February 18 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today issued sample forms and instructions to facilitate creditor compliance with the Board's regulations implementing the Consumer Leasing Act of 1976.

Creditors making proper use of these forms will be deemed to be in compliance with the Act and the regulation which requires disclosure of the terms under which personal property is leased. Both the Act and the regulation, a part of the Board's Truth in Lending Regulation Z, become effective March 23.

The forms cover three types of leasing: open-end and closed-end vehicle leasing, and furniture leasing. The forms are disclosure statements, not lease contracts.

The Board proposed sample lease disclosure forms and instructions, as interpretations of Regulation Z, on December 23, 1976. The forms and instructions adopted are substantially similar to those proposed, but with a number of specific revisions based on comment received.

Sample lease disclosure forms and instructions in the use of such forms have been published in the *Federal Register* of February 25, 1977. In addition, the Board's Regulation Z pamphlet, "Truth in Lending," is being revised to include these sample forms and instructions; copies of the revised pamphlet will be mailed to you as soon as it becomes available.

In submitting the sample lease disclosure forms for publication in the *Federal Register*, the Board of Governors issued the following statement:

On December 29, 1976, the Board published for comment three sample lease disclosure statements as proposed official Board interpretations of Regulation Z (41 FR 56657). The statements were proposed for use in conjunction with three types of lease transactions: (1) open-end or finance vehicle leases (Interpretation § 226.1501), (2) closed-end or net vehicle leases (Interpretation § 226.1502), and (3) furniture leases (Interpretation § 226.1503).

Thirty written comments on the proposal were received. The comments have been given careful consideration and, on the basis of the comments and its own analysis, the Board has revised the interpretations and has issued them in final form.

The comments generally supported the design, format and use of simplified language in the forms. The instructions were generally considered adequate by the commenters; revisions to the instructions will be discussed below. The completed forms provided by the Board, which were not part of the interpretations, have not been reproduced in final form. They appeared to be a source of confusion, and the Board is concerned that the provision of contract terms merely as illustrations would be misconstrued as approval of those terms for use by lessors.

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The Board wishes to emphasize, as it did in the December 29, 1976, publication, that these forms are not the exclusive method of compliance with the Consumer Leasing Act and the implementing Regulation. Lessors are permitted to design other formats by which compliance may be achieved. Lessors that do choose to use the forms issued by the Board, however, must not alter the wording or sequence of the disclosures, except to the extent that provisions have been made for deletion or substitution of terms.

Any inapplicable disclosure should be deleted. The titles of the forms and the numbering system may be changed or deleted, but care should be taken that consistency is maintained in the references to item numbers in the disclosures. The statement that the disclosures are provided pursuant to Federal law may be deleted or changed. Brackets have been provided around disclosures which are alternative in nature (e.g., the purchase option disclosures).

(OVER)



The following changes have been made to the interpretations:

1. A statement that the disclosures are provided pursuant to the Federal Consumer Leasing Act has been added at the top of all three disclosure statements. A similar statement at the beginning of Item 14 in § 226.1501 has been deleted. A comment was received that the placement of that statement in Item 14 implied that the other disclosures are not required, when in fact they are.

2. In Item 2 of the vehicle lease statements (§§ 226.1501 and 1502) the words "Body Style" have been substituted for the words "Body Make" and the term "Vehicle ID #" has been substituted for "Serial #" in response to comments that these terms more accurately reflect business usage. In Item 2 of the furniture lease statement (§ 226.1503), the term "Price" has been deleted from the description; it is not a required term and appeared to be confusing as it is susceptible of a variety of definitions.

3. In response to a number of written comments, the Board has significantly changed the disclosures of the payment due at consummation and the periodic payment. In order to avoid double disclosure, the proposal provided for disclosure in the open-end vehicle lease statement only of those elements of these two disclosures which were to be used in calculating the "Total Lease Obligation." As a consequence, there were no disclosures of the total payment made by the lessee at consummation or the total monthly payment. Commenters felt that disclosure of these inclusive totals was more important than the avoidance of double disclosure.

The Board has therefore amended § 226.1501, Items 3 and 4, to provide these totals. Item 3(a) consists of those elements of a total payment due at inception which will be used to calculate "Total Lease Obligation." Item 3(b) consists of all other elements of that total initial payment. Item 4(a) consists of that portion of the total monthly payment which is attributable to rent, depreciation, profit and sales/use tax on that payment. It will be used in calculating the "Total Lease Obligation." Item 4(b) contains all other charges which may be incurred on a monthly basis by the lessee. Lessors should refer to the form's specific instructions for further guidance.

The closed-end vehicle lease and the furniture lease forms have been revised to provide similar totals without the separate elements, as there is no total lease obligation disclosure in those types of leases.

4. All instructions in the forms themselves have been deleted and placed in the accompanying instructions in response to comments that the forms could be more easily reproduced without them.

5. The forms have been revised to provide disclosures for leases with monthly payment schedules. The majority of consumer leases appear to have monthly schedules and differing periodic terms can be easily substituted where a lease provides otherwise.

6. The sequence of disclosure has been changed to provide a more meaningful format.

7. The disclosures in Item 4 regarding the number, amounts and due dates of periodic payments have been revised to provide the number of scheduled payments and a simpler method of determining the "Total of Basic Monthly Payments" in § 226.1501.

8. The insurance disclosure in all statements (Item 9) has been revised to permit disclosure of optional as well as required insurance.

9. Item 10 in the open-end lease statement has been amended to permit the lessor to state what type of value (e.g., wholesale or retail) is being placed on the vehicle at the end of the term. A similar space is provided in Item 14(b).

It has also been amended to state that the lessee's liability for the estimated value of the vehicle "may be" (rather than "is") limited. Comments stated that the lessee's liability for this sum may in fact be unlimited.

10. Item 14 (End of Term Liability) of § 226.1501 has been revised to provide the following:

(a) A more precise statement of the lessee's liability at the end of the term by stating that the lessee may have liability beyond that for the difference between estimated and actual values as a result of disposition charges, unpaid traffic tickets and other charges incurred under the lease (Item 14(a)).

(b) A reference to the standards used to determine unreasonable or excessive wear or use, if the lessor sets such standards (Item 14(a)1).

(c) Space has also been added in which the lessor may set forth the type of appraisal to be obtained by the lessee (14(b)).

11. Item 13 in § 226.1502 (closed-end vehicle statement) has been amended to provide disclosure of the lessee's right to an appraisal at early termination where the charge for such early termination is based on the estimated value of the vehicle. A similar disclosure has not been provided in the furniture statement as it does not appear to be a common term in furniture leases.

12. The instructions have been revised to provide further guidance for use of the forms.

This Bank will be obtaining a limited supply of the forms, copies of which (for sample purposes only) will be made available to banks upon request directed to our Bank Regulations Department. Banks and individual lessors will be expected to reproduce their own supplies of these disclosure forms.

Any questions regarding this matter may be directed to the Bank Regulations Department.

PAUL A. VOLCKER,  
*President.*