

ACT 82

S.B. NO. 1495

A Bill for an Act Relating to Motor Vehicle Lease Disclosure.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The Hawaii Revised Statutes is amended by adding a new chapter to be appropriately designated and to read as follows:

**“CHAPTER
MOTOR VEHICLE LEASE DISCLOSURE ACT**

§ -1 **Definitions.** Whenever used in this chapter, unless the context otherwise requires:

“Adjusted capitalized cost” means the gross capitalized cost, less the capitalized cost reduction, and is the amount used by the retail lessor in calculating the base periodic payment in the lease agreement.

“Capitalized cost reduction” means the total amount of any rebate, cash payment, net trade-in allowance, check, credit card debit, and noncash credit or down payment that reduces the gross capitalized cost, but does not include any periodic lease payments due at the inception of the lease or all of the periodic lease payments if they are paid at the inception of the lease.

“Clear and conspicuous” means that written disclosures shall be made in a manner that is readable and understandable to the retail lessee and oral disclosures shall be made in a manner that is audible and understandable to the retail lessee.

“Gross capitalized cost” means the amount agreed upon by the retail lessor and the retail lessee as the value of the motor vehicle and any items that are capitalized or amortized during the lease term, including but not limited to taxes, insurance, service agreements, registration fees, license fees, lease acquisition and administration fees, warranty charges, fees and charges for accessories and for installing accessories, charges for delivery, service and repair, charges for improving the motor vehicle and providing other services incidental to the agreement, the outstanding balance of a prior loan agreement, lease or motor vehicle retail installment contract, and the unpaid portion of the early termination obligation under an outstanding lease agreement.

“Lease agreement” means a written agreement for the transfer from a retail lessor to a retail lessee of the right to possess and use a motor vehicle in exchange for consideration for a scheduled term exceeding four months, whether or not the retail lessee has the option to purchase or otherwise become the owner of the motor vehicle upon expiration of the agreement. The term does not include an agreement which covers an absolute sale, a sale pending approval, or a retail installment sale.

“Lease transaction” means a presentation made to the retail lessee concerning the motor vehicle, including a sales presentation or a document presented to the retail lessee, resulting in the execution of a lease agreement.

“Motor vehicle” means a motor vehicle as defined in section 286-2.

“Retail lessee” means an individual who executes a lease agreement for a motor vehicle from a retail lessor primarily for personal, family, or household purposes.

“Retail lessor” means a person who regularly engages in the business of selling or leasing motor vehicles and who offers or arranges a lease agreement for a motor vehicle. The term includes an agent or affiliate who acts on behalf of the retail lessor.

“Worksheet” means the primary document or documents used by the retail lessor to derive the monthly lease payment for a specific lease transaction.

§ -2 Disclosures. A retail lessor shall:

- (1) Disclose in the lease agreement provided to the lessee, in a clear and conspicuous manner, any and all material terms, conditions, and limitations that apply to the lease agreement, including but not limited to the consumer lease disclosures required by the federal Truth in Lending Act and rules adopted under that Act;
- (2) Disclose to the retail lessee in the lease agreement in a separate blocked section, in capital letters of at least ten point bold type, as follows: THIS IS A LEASE AGREEMENT. THIS IS NOT A PURCHASE AGREEMENT. PLEASE REVIEW THESE MATTERS CAREFULLY AND SEEK INDEPENDENT PROFESSIONAL ADVICE IF YOU HAVE ANY QUESTIONS CONCERNING THIS TRANSACTION. YOU ARE ENTITLED TO AN EXACT COPY OF THE

AGREEMENT YOU SIGN. GET ALL PROMISES IN WRITING. ORAL PROMISES ARE DIFFICULT TO ENFORCE.;

- (3) Disclose to the retail lessee in the lease agreement in capital letters of at least ten point bold type, with the appropriate amounts specified, the following:
 - (A) THE GROSS CAPITALIZED COST \$ _____
 - (B) THE CAPITALIZED COST REDUCTION \$ _____
 - (C) THE ADJUSTED CAPITALIZED COST \$ _____;
- (4) Provide the retail lessee with a copy of each document that is signed by the retail lessee during the course of the lease transaction and any document that is referenced or incorporated into the lease agreement. Also, provide the retail lessee with a copy of each document requested by the retail lessee that is presented during the course of the lease transaction;
- (5) Prepare all disclosures made pursuant to sections -2 and -3 and all documents executed in a lease transaction in the language principally used in negotiating the lease transaction; and
- (6) Upon request by the retail lessee at any time during the lease transaction and at any time during the first six months of the term of the lease agreement, provide to the retail lessee at no cost to the retail lessee a copy of the retail lessor's worksheets used to calculate the periodic lease payment. Worksheets that are stored on computer media shall be reduced to printed form for the lessee. The worksheets shall be maintained by the retail lessor or its agents during the first six months of the term of the lease agreement. The retail lessor shall not be required to provide those portions of any worksheets that contain dealer markup information or lease assignment settlement amounts.

§ -3 **Trade-in vehicle.** A trade-in vehicle used to reduce the gross capitalized cost shall be identified as a trade-in vehicle in the lease agreement and identified by year, make, and model. The lease agreement shall also state, in an amount distinct from the capitalized cost reduction, the total credit value of the trade-in vehicle, including a good-faith estimate of any liability against the trade-in vehicle to be discharged by the retail lessor.

§ -4 **Civil remedies.** A retail lessor who fails to comply with the requirements of this chapter shall be deemed to have engaged in an unfair and deceptive act or practice in the conduct of trade or commerce within the meaning of section 480-2.⁵

SECTION 2. This Act shall take effect upon its approval; however, compliance with the requirements of this chapter is optional until January 1, 1998.

(Approved April 29, 1997.)