

107TH CONGRESS  
1ST SESSION

# H. R. 1056

To amend the Consumer Credit Protection Act to enhance the advertising of the terms and costs of consumer automobile leases, to permit consumer comparison of advertised lease offerings, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 15, 2001

Mr. LAFALCE (for himself, Mr. GUTIERREZ, Ms. LEE, Mrs. JONES of Ohio, Mr. CAPUANO, Mr. CLAY, Mr. HINCHEY, and Ms. SCHAKOWSKY) introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To amend the Consumer Credit Protection Act to enhance the advertising of the terms and costs of consumer automobile leases, to permit consumer comparison of advertised lease offerings, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Consumer Automobile Lease Advertising Improvement  
6       Act of 2001”.

1 (b) REFERENCE.—Whenever in this Act an amend-  
2 ment or repeal is expressed in terms of an amendment  
3 to, or repeal of, a section or other provision, the reference  
4 shall be considered to be made to a section or other provi-  
5 sion of the Consumer Credit Protection Act.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDINGS.—The Congress finds the following:

8 (1) There has been a continuing trend toward  
9 leasing of automobiles by consumers as an alter-  
10 native to installment credit sales, with automobile  
11 leases now constituting over one-third of all new  
12 automobile transactions.

13 (2) Current automobile leasing practices do not  
14 provide consumers with consistent or adequate infor-  
15 mation to permit comparison shopping among lease  
16 offerings. Important information about lease costs  
17 and terms are not available until the consumer visits  
18 an automobile dealership, are typically provided only  
19 as part of lease negotiations, and often are not fully  
20 disclosed until the signing of the lease documents.

21 (3) Automobile lease advertisements tend to  
22 confuse and mislead consumers by highlighting the  
23 most attractive terms of leases, by minimizing or  
24 omitting additional costs, terms or penalties, and by  
25 advertising monthly payment amounts based on

1 lease terms that are different from those customarily  
2 offered to or selected by consumers.

3 (4) With leases accounting for a large and  
4 growing percentage of all new automobile trans-  
5 actions, there is increasing need for automobile man-  
6 ufacturers, automobile dealers and other firms in-  
7 volved in leasing to provide more relevant and easily  
8 understood information in advertising and in writing  
9 at the auto dealership to permit consumers to evalu-  
10 ate intelligently the attractiveness of leases offered  
11 by an automobile dealership, to compare terms of  
12 leases offered and advertised by competing dealer-  
13 ships, and to compare the benefits of automobile  
14 leases with alternative purchase transactions.

15 (b) PURPOSE.—The purpose of the amendments  
16 made by this Act is to provide consumers with more rel-  
17 evant and easily understood information regarding the  
18 terms and costs of lease offerings earlier in the leasing  
19 process to permit consumers to compare lease and pur-  
20 chase options and to comparison shop among competing  
21 lease opportunities.

22 **SEC. 3. APPLICABLE CONSUMER LEASES.**

23 Section 181(1) of the Consumer Credit Protection  
24 Act (15 U.S.C. 1667(1)) is amended—

1           (1) by striking “\$25,000” and inserting  
2           “\$75,000”; and

3           (2) by adding at the end the following: “The  
4           limit on the contractual obligation which comes with-  
5           in such term shall be adjusted annually based upon  
6           the change reported in the Consumer Price Index by  
7           the Department of Labor in June of the preceding  
8           year.”.

9   **SEC. 4. GENERAL LEASE ADVERTISING.**

10          (a) AMENDMENTS.—Section 184(a) (15 U.S.C.  
11 1667c) is amended—

12           (1) by striking “(a)” and inserting “(a)(1)”;

13           (2) by redesignating paragraphs (1) through  
14           (5) as subparagraphs (A) through (E), respectively;

15           (3) by adding at the end the following:

16           “(2) Identification in a television advertisement  
17           of the advertised transaction as a lease, as required  
18           by paragraph (1)(A), shall be included in both the  
19           audio and video portions of the television advertise-  
20           ment.

21           “(3) The requirements of this subsection shall  
22           apply to all advertisements for a consumer lease, in-  
23           cluding advertisements on television, radio and vid-  
24           eotape; print advertisements in publications, news-  
25           letters and fliers; advertisements by toll-free tele-

1 phone numbers; and advertisements in electronic  
2 media, including Internet web pages, e-mail, CD-  
3 ROMs and interactive computer services.”.

4 (b) CONFORMING AMENDMENTS.—Section 184(c)  
5 (15 U.S.C. 1667c(c)) is amended by striking “subsection  
6 (a)” each time it occurs and inserting “subsection (a)(1)”  
7 and in paragraph (1) by striking “paragraphs (1) and  
8 (2)” and inserting “subparagraphs (A) and (B)”.

9 **SEC. 5. ADVERTISEMENT FOR AUTOMOBILE LEASE.**

10 Section 184 (15 U.S.C. 1667c) is amended by adding  
11 at the end the following new subsection:

12 “(d) ADVERTISEMENT FOR AUTOMOBILE LEASE.—

13 “(1) IN GENERAL.—An advertisement to pro-  
14 mote a lease for an automobile that includes a  
15 scheduled lease payment amount that applies only to  
16 a single vehicle, or to a limited number of vehicles  
17 of the same vehicle make, model and year, shall  
18 clearly and conspicuously state that the advertised  
19 payment amount applies only to a single vehicle, or  
20 shall clearly and conspicuously state the number of  
21 vehicles of the same vehicle make and model to be  
22 made available for lease at the advertised payment  
23 amount.

24 “(2) LEASE PAYMENT AMOUNTS.—

1           “(A) An advertisement to promote a lease  
2 for an automobile that states a lease payment  
3 amount, or must state a lease payment amount  
4 under subsection (a)(1)(D), shall calculate such  
5 payment amount on the basis of a lease pay-  
6 ment formula which the Board shall set forth in  
7 regulation and which shall be based on the fol-  
8 lowing information—

9           “(i) the total capitalized cost of the  
10 vehicle model advertised, which shall not be  
11 reduced or adjusted by any down payment  
12 amount, capitalized cost reduction, vehicle  
13 trade-in amount or other required pay-  
14 ment;

15           “(ii) a lease term of twenty-four (24)  
16 months, or such other lease term that the  
17 Board may determine in regulation as rep-  
18 resentative of prevailing industry practice;  
19 and

20           “(iii) a mileage allowance before any  
21 excess mileage charge may be imposed of  
22 12,000 miles for each year of the lease  
23 term, or such other annual mileage allow-  
24 ance which the Board may determine in  
25 regulation as providing a more representa-

1           tive estimate of vehicle use and potential  
2           costs to the consumer.

3           “(B) An advertisement to promote a lease  
4           for an automobile that states a lease payment  
5           for a vehicle model as provided under subpara-  
6           graph (A) may state a lease payment amount  
7           for the same vehicle model that is different  
8           than that required to be stated under subpara-  
9           graph (A), except that—

10                   “(i) the lease payment amount is not  
11                   presented more prominently than the lease  
12                   payment amount required to be stated  
13                   under subparagraph (A); and

14                   “(ii) the advertisement clearly and  
15                   conspicuously identifies the lease terms or  
16                   payment amounts that explain the dif-  
17                   ference between the lease payment amount  
18                   and the payment amount required to be  
19                   stated under subparagraph (A).”.

20 **SEC. 6. AVAILABILITY OF LEASE INFORMATION.**

21           Section 184 (15 U.S.C. 1667c) is amended by insert-  
22           ing after subsection (d) (as added by section 5) the fol-  
23           lowing new subsection:

24           “(e) AVAILABILITY OF INFORMATION.—An auto-  
25           mobile dealer that engages in any advertising to promote

1 or assist a consumer lease, or that participates in any ad-  
2 vertised national or regional promotion for a consumer  
3 lease, shall make available to the public, as appropriate  
4 and in such format as the Board shall determine in regula-  
5 tion, the following information:

6           “(1) CUSTOMER INCENTIVES.—A written and  
7           dated statement that shall be placed in a con-  
8           spicuous and prominent location in the dealership  
9           that sets out clearly and accurately for each vehicle  
10          model offered by the dealer, as applicable, the incen-  
11          tives, special offers or promotions available for the  
12          benefit of consumers in conjunction with consumer  
13          lease, purchase and installment credit transactions,  
14          that shall include—

15                 “(A) special interest rates that are offered  
16                 by automobile manufacturers, financial institu-  
17                 tions and leasing companies;

18                 “(B) special incentives, including cash re-  
19                 bates and vehicle residual percentages that are  
20                 offered by automobile manufacturers directly to  
21                 consumers; and

22                 “(C) special incentives and lease terms, in-  
23                 cluding vehicle discounts, residual value per-  
24                 centages and other vehicle promotions that are  
25                 offered to consumers by the dealer.

1           “(2) AVAILABLE LEASES.—A written and dated  
 2           statement for each vehicle model that the dealer  
 3           makes available for lease to consumers that shall be  
 4           placed in a conspicuous and prominent location in  
 5           the dealership, and copies of which shall be made  
 6           available to individual consumers upon request, that  
 7           sets out clearly and accurately the following terms  
 8           applicable to leases for such vehicle models—

9                   “(A) the rebates and other incentives avail-  
 10                  able for consumers;

11                   “(B) the money factor, or lease interest  
 12                  factor, that shall be stated as a decimal number  
 13                  and as an equivalent approximate annual per-  
 14                  centage rate; and

15                   “(C) the vehicle residual value, that shall  
 16                  be stated as a percentage of the retail price  
 17                  (MSRP) of such vehicle model.”.

18 **SEC. 7. DEFINITIONS.**

19           Section 184 (15 U.S.C. 1667c) is amended by insert-  
 20           ing after subsection (e) (as added by section 6) the fol-  
 21           lowing new subsection:

22                   “(f) CLEARLY AND CONSPICUOUSLY DEFINED.—

23                   “(1) IN GENERAL.—For purposes of this sec-  
 24                  tion, the term ‘clearly and conspicuously’ means—

1           “(A) in print advertisements, the required  
2 disclosures and explanations of lease terms shall  
3 appear in a type size, shade, contrast, promi-  
4 nence, and location as to be readily noticeable,  
5 readable, and comprehensible to an ordinary  
6 consumer;

7           “(B) in the video portion of television or  
8 videotaped advertisements, the required disclo-  
9 sures shall appear on the screen in a type size,  
10 shade, contrast, prominence, and location and  
11 for a duration as to be readily noticeable, read-  
12 able, and comprehensible to an ordinary con-  
13 sumer;

14           “(C) in the audio portion of television,  
15 videotaped, and radio advertisements, the re-  
16 quired disclosures shall be delivered in a vol-  
17 ume, cadence, and location and for a duration  
18 as to be readily noticeable, hearable, and com-  
19 prehensible to an ordinary consumer; and

20           “(D) in promotions and advertising in  
21 Internet web pages, CD-ROMs, or interactive  
22 computer services, the required disclosures shall  
23 appear in a type size, shade, contrast, promi-  
24 nence, and location as to be readily readable  
25 and comprehensible to users and shall be sepa-

1           rated from marketing and promotional informa-  
2           tion and easily accessible under the label or  
3           heading ‘Important Information for Con-  
4           sumers’.

5           “(2) LIMITATION.—Nothing contrary to, incon-  
6           sistent with, or in mitigation of, the required disclo-  
7           sures shall be used in any advertisement in any me-  
8           dium and no audio, video, or print technique shall  
9           be used that is likely to obscure or detract signifi-  
10          cantly from the communication of the disclosures.”.

11 **SEC. 8. ADMINISTRATIVE ENFORCEMENT.**

12          (a) IN GENERAL.—Chapter 5 of the Consumer Credit  
13 Protection Act is amended by adding the following new  
14 section:

15 **“SEC. 188. ADMINISTRATIVE ENFORCEMENT.**

16          “Compliance with section 184 of this chapter shall  
17 be enforced by the Federal Trade Commission, except to  
18 the extent that enforcement of the requirements imposed  
19 under such section is specifically committed to another  
20 agency under section 108(a) of this title. For purposes of  
21 the exercise by the Commission of its functions and powers  
22 under the Federal Trade Commission Act, a violation of  
23 section 184 shall be deemed an unfair or deceptive act or  
24 practice in violation of that Act. All of the functions of  
25 and powers of the Commission under the Federal Trade

1 Commission Act are available to the Commission to en-  
2 force compliance by any person with such section, irrespec-  
3 tive of whether that person is engaged in commerce or  
4 meets any other jurisdictional tests in the Federal Trade  
5 Commission Act, including the power to enforce the provi-  
6 sions of such section in the same manner as if the violation  
7 had been a violation of a Federal Trade Commission trade  
8 regulation rule.”.

9 (b) CLERICAL AMENDMENT.—The table of sections  
10 for chapter 5 of the Truth in Lending Act is amended  
11 by adding at the end the following new item:

“188. Administrative enforcement.”

12 **SEC. 9. REGULATIONS.**

13 The Board of Governors of the Federal Reserve Sys-  
14 tem, not later than 6 months after the date of the enact-  
15 ment of this Act, shall issue regulations to implement the  
16 amendments made by this Act. The Board shall also issue  
17 regulations, together with staff commentary if appro-  
18 priate, to update and clarify the requirements and defini-  
19 tions for lease disclosures and any other issue relating to  
20 consumer leasing to carry out the intent of the amend-  
21 ments made by this Act, to implement any initiative to  
22 prevent the circumvention of the amendments made by  
23 this Act, and to facilitate compliance with the require-  
24 ments in the amendments.

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