

SENATE BILL REPORT

SHB 2680

As Reported By Senate Committee On:
Financial Institutions, Insurance & Housing, February 25, 1998

Title: An act relating to clarifying the definition of capitalized cost for purposes of the consumer leasing act.

Brief Description: Clarifying the definition of capitalized cost for purposes of the consumer leasing act.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives L. Thomas and Wolfe).

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 2/19/98, 2/25/98 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: Do pass.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Heavey, Kline and Prentice.

Staff: David Cheal (786-7576)

Background: Consumer leases of vehicles are governed by federal and state law. Both federal and state law require that a lessor disclose certain information to the lessee. However, the requirements of federal and state law are not the same.

I. Federal Law: Federal law defines "gross capital cost" as the amount agreed upon by the lessor and the lessee as the value of the leased property and any items that are capitalized or amortized during the lease term.

Federal law also requires that the lessor disclose, among other things, the total amount to be paid prior to or at consummation. For vehicle leases, this disclosure must include an itemization of how the amount due will be paid by type and amount. Federal law also requires a warning to consumers that early termination may result in significant costs.

II. State Law: Under state law, "capitalized cost" is defined as the amount the lessor places on the vehicle. This definition can be superseded by federal law.

In consumer leases of motor vehicles, a statement of any capital cost reduction stated as a total must be stated in the lease along with a statement of the adjusted capitalized loss, which is the gross capitalized cost minus any capitalized cost reduction. The lease must also contain a warning to consumers that early termination may result in significant costs. This warning is similar but not identical to the warning required by federal law.

Disclosures complying with the federal law are to be deemed to comply with state law.

Summary of Bill: SHB 2680 further harmonizes state law with federal law. The term, "capitalized cost" is changed to "gross capitalized cost" which enables the federal definition of gross capitalized cost to supersede the state definition.

Again tracking the federal law, a statement of the total amount to be paid prior to or at consummation must be disclosed in the lease agreement. This disclosure must itemize how the amount due is paid by type and amount.

The requirement that the lease must contain the capital cost reduction stated as a total is removed. The warning requirement is also removed.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: It will bring lease agreement requirements into harmony with federal law, which will aid lenders and vehicle dealers, with no erosion of consumer protection.

Testimony Against: None.

Testified: PRO: Jim Austin, Victoria Chiechi Hinze, American Automobile Manufacturers Association.