

REG M

Regulation M of the Consumer Leasing Act

In an effort to simplify lease transactions and reduce confusion for consumers, the Board of Governors of the Federal Reserve System recently enacted revisions to Regulation M of the Consumer Leasing Act. The act requires lessors to provide uniform cost and other disclosures about consumer lease transactions to lessees.

The act applies to "consumer leases" defined as contracts meeting each of the following elements:

- The lease is for the use of personal property, such as an automobile;
 - The lease has a term of more than four months;
 - The contractual obligation does not exceed \$25,000.
- Under Regulation M, consumer lease disclosures must meet the following general criteria:
- Disclosures must reflect the terms of the legal obligations between lessor and lessee;
 - Disclosures must be legible, whether typed, handwritten, or printed by computer;
 - Disclosures must be "clear and conspicuous", so that the relationship between terms is reasonably understandable and apparent;
 - A copy of the disclosures must be given to the lessee at or prior to inception of the lease;
 - Disclosures must be made on a dated, written statement which identifies the lessor and lessee;
 - **ALL** disclosures must be made together on either (1) the contract or other document evidencing the lease, on the same page and above the place for the lessee's signature, or (2) a separate statement which identifies the specific lease transaction.

Regulation M also stipulates specific **content** of the disclosures, and requires that certain information be segregated on the lease contract. The specific content of disclosures required under Regulation M includes:

- Description of property;
- Amount due at lease signing or delivery;
- Payment schedule and total amount of periodic payments;
- Disclosure of other anticipated charges during normal execution of the lease agreement;
- Total of payments;
- Payment calculation;
- Lease term;
- Early termination conditions and penalties;
- Maintenance responsibilities;
- Purchase option;
- Statement referencing "nonsegregated" disclosures;
- The right of appraisal;
- Liability at the end of the lease term;
- Fees and taxes;
- Insurance and warranties.