

LEASE DISCLOSURE LAWS

INDIANA

Definitions [IC 9-32-2]

IC 9-32-2-2

"Adjusted or net capitalized cost" defined

Sec. 2. "Adjusted or net capitalized cost" means the capitalized cost, less any capitalized cost reduction payments made by a retail lessee at the inception of a lease agreement. The adjusted or net capitalized cost is the basis for calculating the amount of a retail lessee's periodic payment under a lease agreement.

IC 9-32-2-7

"Capitalized cost" defined

Sec. 7. (a) "Capitalized cost" means the amount that, after deducting any capitalized cost reduction, serves as the basis for determining the base lease payment, which is the part of the periodic lease payment that is the sum of:

- (1) the average periodic lease charge; and
- (2) the average periodic depreciation.

(b) For a single payment lease, the base lease payment is the sum of:

- (1) the average periodic lease charge multiplied by the number of months in the term of the lease; and
- (2) the average periodic depreciation multiplied by the number of months in the term of the lease.

(c) The capitalized cost may include any of the following:

- (1) Taxes.
- (2) Registration fees.
- (3) License fees.
- (4) Insurance charges.
- (5) Charges for guaranteed auto protection or GAP coverage.
- (6) Charges for service contracts and extended warranties.
- (7) Fees and charges for accessories and for installing accessories.
- (8) Charges for delivery, service, and repair.
- (9) Administrative fees, acquisition fees, and all fees or charges for providing services incidental to the lease agreement.
- (10) The unpaid balance of an amount financed under an outstanding motor vehicle loan

agreement or motor vehicle retail installment contract with respect to a motor vehicle used as a trade-in vehicle.

(11) The unpaid part of the early termination obligation under an outstanding lease agreement.

(12) The first periodic payment due at the inception of the lease agreement, if not otherwise paid by the retail lessee.

IC 9-32-2-8

"Capitalized cost reduction" defined

Sec. 8. "Capitalized cost reduction" means a payment made by cash, check, credit card, debit card, net vehicle trade-in, rebate, or other similar means in the nature of a down payment or credit, made by a retail lessee at the inception of a lease agreement, for the purpose of reducing the capitalized cost and does not include any periodic payments received by the retail lessor at the inception of the lease agreement.

IC 9-32-2-17

"Lease agreement" defined

Sec. 17. "Lease agreement" means a written agreement entered into in Indiana 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 (4) 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 that covers an absolute sale, a sale pending approval, or a retail installment sale.

IC 9-32-2-18

"Lease transaction" defined

Sec. 18. "Lease transaction" means a presentation made to a retail lessee concerning a motor vehicle, including a sales presentation or a document presented to the retail lessee, resulting in the execution of a lease agreement.

IC 9-32-2-21 "Retail lessee" defined

Sec. 21. "Retail lessee" means an individual who executes a lease agreement for a motor vehicle from a retail lessor primarily for personal,

LEASE DISCLOSURE LAWS *Cont'd.*

IC 9-32-2-22

"Retail lessor" defined

Sec. 22. "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 and excludes any assignee of the lease agreement.

IC 9-32-12

Chapter 12. Disclosures Required in Motor Vehicle Leases

IC 9-32-12-1

Duties of retail lessor

Sec. 1. A retail lessor shall do the following:
(1) Comply with the requirements of Regulation M (12 CFR 213) for disclosure of gross capitalized cost, capitalized cost reduction, and adjusted capitalized cost adopted under the federal Truth in Lending Act (15 U.S.C. 1601 et seq.).

(2) Disclose to a retail lessee in a separate blocked section in a lease agreement, in capital letters of at least 10 point bold type the following:
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.

(3) Provide the retail lessee with a copy of each document signed by the retail lessee during the course of a lease transaction.

IC 9-32-12-2

Trade-in vehicle

Sec. 2. A trade-in vehicle used, in whole or in part, to pay amounts due at lease signing or delivery of a leased vehicle must be identified:

- (1) as a trade-in vehicle in the lease agreement; and
- (2) by year, make, and model.

The lease agreement must state the net credit of

the trade-in vehicle used to pay amounts due at lease signing or delivery of the leased vehicle.

IC 9-32-12-3

Bona fide printing error not considered violation

Sec. 3. A bona fide printing error identified on the face of the lease agreement does not constitute a violation of this chapter.

IC 9-32-12-4

Remedies

Sec. 4. (a) A retail lessor who fails to comply with the requirements of this chapter is liable to the retail lessee for:

- (1) actual damages sustained;
- (2) a civil penalty of not more than one thousand dollars (\$1,000) per lease transaction; and
- (3) reasonable attorney's fees and costs.

(b) In addition to any other remedies provided by law, a retail lessee may bring an action in circuit court to recover the damages, penalties, and fees described in subsection (a).

(c) The total recovery of damages, penalties, and fees in a class action civil suit brought under this section may not exceed one hundred thousand dollars (\$100,000).

IC 9-32-12-5

Civil suit by attorney general

Sec. 5. A civil suit described under section 4 of this chapter may be brought on behalf of a consumer by the attorney general.

IC 9-32-12-6

Statute of limitations

Sec. 6. An action authorized by sections 4 and 5 of this chapter must be brought not later than three (3) years after the date the lease agreement is signed.

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[Code of Federal Regulations]

[Title 12, Volume 2]

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TITLE 12--BANKS AND BANKING

CHAPTER II--FEDERAL RESERVE SYSTEM

**PART 213_CONSUMER LEASING
(REGULATION M)--Table of Contents****[CITE: 12CFR213.3]****Sec. 213.3 General disclosure requirements.**

(a) **General requirements.** A lessor shall make the disclosures required by §213.4, as applicable. The disclosures shall be made clearly and conspicuously in writing in a form the consumer may keep, in accordance with this section. The disclosures required by this part may be provided to the lessee in electronic form, subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act) (15 U.S.C. §7001 *et seq.*). For an advertisement accessed by the consumer in electronic form, the disclosures required by §213.7 may be provided to the consumer in electronic form in the advertisement, without regard to the consumer consent or other provisions of the E-Sign Act.

(1) **Form of disclosures.** The disclosures required by §213.4 shall be given to the lessee together in a dated statement that identifies the lessor and the lessee; the disclosures may be made either in a separate statement that identifies the consumer lease transaction or in the contract or other document evidencing the lease. Alternatively, the disclosures required to be segregated from other information under paragraph (a)(2) of this section may be provided in a separate dated statement that identifies the

lease, and the other required disclosures may be provided in the lease contract or other document evidencing the lease. In a lease of multiple items, the property description required by §213.4(a) may be given in a separate statement that is incorporated by reference in the disclosure statement required by this paragraph.

(2) **Segregation of certain disclosures.** The following disclosures shall be segregated from other information and shall contain only directly related information: §§213.4(b) through (f), (g)(2), (h)(3), (i)(1), (j), and (m)(1). The headings, content, and format for the disclosures referred to in this paragraph (a)(2) shall be provided in a manner substantially similar to the applicable model form in appendix A of this part.

(3) **Timing of disclosures.** A lessor shall provide the disclosures to the lessee prior to the consummation of a consumer lease.

(4) **Language of disclosures.** The disclosures required by §213.4 may be made in a language other than English provided that they are made available in English upon the lessee's request.

(b) **Additional information; nonsegregated disclosures.** Additional information may be provided with any disclosure not listed in paragraph (a)(2) of this section, but it shall not be stated, used, or placed so as to mislead or confuse the lessee or contradict, obscure, or detract attention from any disclosure required by this part.

(c) **Multiple lessors or lessees.** When a transaction involves more than one lessor, the disclosures required by this part may be made by one lessor on behalf of all the lessors. When a lease involves more than one lessee, the lessor may provide the disclosures to any lessee who is primarily liable on the lease.

(d) **Use of estimates.** If an amount or other item needed to comply with a required disclosure is unknown or unavailable after reasonable efforts have been made to ascertain the information, the lessor may use a reasonable estimate that is based on the best information available to the lessor, is clearly identified as an estimate, and is not used to circumvent or evade any disclosures required by this part.

(e) **Effect of subsequent occurrence.** If a required disclosure becomes inaccurate because

LEASE DISCLOSURE LAWS *Cont'd.*

of an event occurring after consummation, the inaccuracy is not a violation of this part.

(f) **Minor variations.** A lessor may disregard the effects of the following in making disclosures:

- (1) That payments must be collected in whole cents;
- (2) That dates of scheduled payments may be different because a scheduled date is not a business day;
- (3) That months have different numbers of days; and
- (4) That February 29 occurs in a leap year.

[Reg. M, 61 FR 52258, Oct. 7, 1996, as amended at 66 FR 17328, Mar. 30, 2001; 72 FR 63461, Nov. 9, 2007]

[CITE: 12CFR213.4]

Sec. 213.4 Content of disclosures.

For any consumer lease subject to this part, the lessor shall disclose the following information, as applicable:

- (a) **Description of property.** A brief description of the leased property sufficient to identify the property to the lessee and lessor.
- (b) **Amount due at lease signing or delivery.** The total amount to be paid prior to or at consummation or by delivery, if delivery occurs after consummation, using the term "amount due at lease signing or delivery." The lessor shall itemize each component by type and amount, including any refundable security deposit, advance monthly or other periodic payment, and capitalized cost reduction; and in motor-vehicle leases, shall itemize how the amount due will be paid, by type and amount, including any net trade-in allowance, rebates, noncash credits, and cash payments in a format substantially similar to the model forms in appendix A of this part.
- (c) **Payment schedule and total amount of periodic payments.** The number, amount, and due dates or periods of payments scheduled under the lease, and the total amount of the periodic payments.
- (d) **Other charges.** The total amount of other charges payable to the lessor, itemized by type

and amount, that are not included in the periodic payments. Such charges include the amount of any liability the lease imposes upon the lessee at the end of the lease term; the potential difference between the residual and realized values referred to in paragraph (k) of this section is excluded.

(e) **Total of payments.** The total of payments, with a description such as "the amount you will have paid by the end of the lease." This amount is the sum of the amount due at lease signing (less any refundable amounts), the total amount of periodic payments (less any portion of the periodic payment paid at lease signing), and other charges under paragraphs (b), (c), and (d) of this section. In an open-end lease, a description such as "you will owe an additional amount if the actual value of the vehicle is less than the residual value" shall accompany the disclosure.

(f) **Payment calculation.** In a motor-vehicle lease, a mathematical progression of how the scheduled periodic payment is derived, in a format substantially similar to the applicable model form in appendix A of this part, which shall contain the following:

(1) **Gross capitalized cost.** The gross capitalized cost, including a disclosure of the agreed upon value of the vehicle, a description such as "the agreed upon value of the vehicle [state the amount] and any items you pay for over the lease term (such as service contracts, insurance, and any outstanding prior credit or lease balance)," and a statement of the lessee's option to receive a separate written itemization of the gross capitalized cost. If requested by the lessee, the itemization shall be provided before consummation.

(2) **Capitalized cost reduction.** The capitalized cost reduction, with a description such as "the amount of any net trade-in allowance, rebate, noncash credit, or cash you pay that reduces the gross capitalized cost."

(3) **Adjusted capitalized cost.** The adjusted capitalized cost, with a description such as "the amount used in calculating your base [periodic] payment."

(4) **Residual value.** The residual value, with a description such as "the value of the vehicle at

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the end of the lease used in calculating your base [periodic] payment."

(5) **Depreciation and any amortized amounts.** The depreciation and any amortized amounts, which is the difference between the adjusted capitalized cost and the residual value, with a description such as "the amount charged for the vehicle's decline in value through normal use and for any other items paid over the lease term."

(6) **Rent charge.** The rent charge, with a description such as "the amount charged in addition to the depreciation and any amortized amounts." This amount is the difference between the total of the base periodic payments over the lease term minus the depreciation and any amortized amounts.

(7) **Total of base periodic payments.** The total of base periodic payments with a description such as "depreciation and any amortized amounts plus the rent charge."

(8) **Lease payments.** The lease payments with a description such as "the number of payments in your lease."

(9) **Base periodic payment.** The total of the base periodic payments divided by the number of payment periods in the lease.

(10) **Itemization of other charges.** An itemization of any other charges that are part of the periodic payment.

(11) **Total periodic payment.** The sum of the base periodic payment and any other charges that are part of the periodic payment.

(g) **Early termination-**

(1) **Conditions and disclosure of charges.** A statement of the conditions under which the lessee or lessor may terminate the lease prior to the end of the lease term; and the amount or a description of the method for determining the amount of any penalty or other charge for early termination, which must be reasonable.

(2) **Early-termination notice.** In a motor-vehicle lease, a notice substantially similar to the following: "Early Termination. You may have to pay a substantial charge if you end this lease early. *The charge may be up to several thousand dollars.* The actual charge will depend on when the lease is terminated. The earlier you end the lease, the greater this charge is likely to be."

(h) **Maintenance responsibilities.** The following provisions are required:

(1) **Statement of responsibilities.** A statement specifying whether the lessor or the lessee is responsible for maintaining or servicing the leased property, together with a brief description of the responsibility;

(2) **Wear and use standard.** A statement of the lessor's standards for wear and use (if any), which must be reasonable; and

(3) **Notice of wear and use standard.** In a motor-vehicle lease, a notice regarding wear and use substantially similar to the following: "Excessive Wear and Use. You may be charged for excessive wear based on our standards for normal use." The notice shall also specify the amount or method for determining any charge for excess mileage.

(i) **Purchase option.** A statement of whether or not the lessee has the option to purchase the leased property, and:

(1) **End of lease term.** If at the end of the lease term, the purchase price; and

(2) **During lease term.** If prior to the end of the lease term, the purchase price or the method for determining the price and when the lessee may exercise this option.

(j) **Statement referencing nonsegregated disclosures.** A statement that the lessee should refer to the lease documents for additional information on early termination, purchase options and maintenance responsibilities, warranties, late and default charges, insurance, and any security interests, if applicable.

(k) **Liability between residual and realized values.** A statement of the lessee's liability, if any, at early termination or at the end of the lease term for the difference between the residual value of the leased property and its realized value.

(l) **Right of appraisal.** If the lessee's liability at early termination or at the end of the lease term is based on the realized value of the leased property, a statement that the lessee may obtain, at the lessee's expense, a professional appraisal by an independent third party (agreed to by the lessee and the lessor) of the value that could be realized at sale of the leased property. The appraisal shall be final and binding on the

LEASE DISCLOSURE LAWS *Cont'd.*

parties.

(m) **Liability at end of lease term based on residual value.** If the lessee is liable at the end of the lease term for the difference between the residual value of the leased property and its realized value:

(1) **Rent and other charges.** The rent and other charges, paid by the lessee and required by the lessor as an incident to the lease transaction, with a description such as "the total amount of rent and other charges imposed in connection with your lease [state the amount]."

(2) **Excess liability.** A statement about a rebuttable presumption that, at the end of the lease term, the residual value of the leased property is unreasonable and not in good faith to the extent that the residual value exceeds the realized value by more than three times the base monthly payment (or more than three times the average payment allocable to a monthly period, if the lease calls for periodic payments other than monthly); and that the lessor cannot collect the excess amount unless the lessor brings a successful court action and pays the lessee's reasonable attorney's fees, or unless the excess of the residual value over the realized value is due to unreasonable or excessive wear or use of the leased property (in which case the rebuttable presumption does not apply).

(3) **Mutually agreeable final adjustment.** A statement that the lessee and lessor are permitted, after termination of the lease, to make any mutually agreeable final adjustment regarding excess liability.

(n) **Fees and taxes.** The total dollar amount for all official and license fees, registration, title, or taxes required to be paid in connection with the lease.

(o) **Insurance.** A brief identification of insurance in connection with the lease including:

(1) **Through the lessor.** If the insurance is provided by or paid through the lessor, the types and amounts of coverage and the cost to the lessee; or

(2) **Through a third party.** If the lessee must obtain the insurance, the types and amounts of coverage required of the lessee.

(p) **Warranties or guarantees.** A statement identifying all express warranties and guarantees

from the manufacturer or lessor with respect to the leased property that apply to the lessee.

(q) **Penalties and other charges for delinquency.** The amount or the method of determining the amount of any penalty or other charge for delinquency, default, or late payments, which must be reasonable.

(r) **Security interest.** A description of any security interest, other than a security deposit disclosed under paragraph (b) of this section, held or to be retained by the lessor; and a clear identification of the property to which the security interest relates.

(s) **Limitations on rate information.** If a lessor provides a percentage rate in an advertisement or in documents evidencing the lease transaction, a notice stating that "this percentage may not measure the overall cost of financing this lease" shall accompany the rate disclosure. The lessor shall not use the term "annual percentage rate," "annual lease rate," or any equivalent term.

(t) **Non-motor vehicle open-end leases.** Non-motor vehicle open-end leases remain subject to section 182(10) of the act regarding end of term liability.

[Reg. M, 61 FR 52258, Oct. 7, 1996, as amended at 62 FR 15367, Apr. 1, 1997; 63 FR 52109, Sept. 29, 1998]