

STORAGE NAME: h3897a.brc

DATE: March 25, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS REGULATION AND CONSUMER AFFAIRS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 3897

RELATING TO: Motor Vehicle Lease Warranties

SPONSOR(S): Representative Mackenzie and others

COMPANION BILL(S): SB 1366 (s)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) BUSINESS REGULATION AND CONSUMER AFFAIRS YEAS 7 NAYS 0
 - (2)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

This bill corrects two problems with the laws relating to vehicle leases. First, it removes an existing conflict between state law and federal regulation relating to vehicle lease disclosures. Second, it clarifies that manufacturers of leased "lemon" vehicles are required to reimburse finance charges to leasing companies. The act takes effect July 1 of the year in which enacted.

There is no fiscal impact to government. However, automobile manufacturers of "lemon" vehicles will have to reimburse the finance charges to leasing companies.

There is an amendment by the Committee on Business Regulation and Consumer Affairs traveling with the bill. It removes unnecessary changes to the law and clarifies the law to ensure leasing companies are reimbursed for their finance charges by the manufacturers of "lemon" vehicles.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Two problems exist with the laws regulating vehicle leases. First, the federal government passed a leased vehicle disclosure law that went into effect January 1, 1998, creating a conflict with state law. Second, the state Lemon Law inadvertently omits leasing companies' finance charges from the costs manufacturers are required to reimburse on leased "lemon" vehicles.

The Legislature enacted the Motor Vehicle Lease Disclosure Act in 1995, ch. 521, Florida Statutes, to ensure lessees are adequately apprised of the total cost of the vehicle lease. The law provides terms and definitions for the various costs that must be disclosed. It requires those costs, along with a disclosure statement, to be in at least 12-point bold type and set apart in a box.

The federal Consumer Leasing, 12 CFR 213, disclosure requirements took effect January 1, 1998. These federal regulations also require disclosure to vehicle lessees of the various costs of the lease. However, the federal regulations use different terms for the same costs included in Florida's law. Therefore, if the state law is not changed, leasing companies must continue to include two cost itemizations on their lease contracts for the same information. Providing two such lists lengthens the contract and is confusing to consumers.

The statutory formula in Florida's Lemon Law, ch. 681, F.S., for computing refunds by manufacturers to consumers and leasing companies does not include the finance charges owed to leasing companies when a car is determined to be a lemon that the manufacturer must repurchase,. Leasing companies are not included in the arbitration process, therefore, lengthy disputes have occurred between manufacturers and leasing companies trying to obtain reimbursement for their finance charges. Manufacturers are required to pay these charges to automobile dealers for "lemon" vehicles that were purchased. When manufactures refuse to reimburse a leasing company's finance charges, the company could go against the lessee for reimbursement.

B. EFFECT OF PROPOSED CHANGES:

This bill amends the Motor Vehicle Lease Disclosure Act to say that if the lessor includes the itemized list of costs required by federal regulation, the state itemization does not have to be included. However, the lessor must continue to include the state disclosure statement in at least 12-point bold type in a separate box.

The "Lemon Law" is also amended to require manufacturers to reimburse finance charges to leasing companies on cars determined to be lemons and repurchased by manufacturers. This change is consistent with the requirements on manufacturers of purchased "lemons". The bill also makes changes to the "Lemon Law" to conform it to the federal Consumer Leasing regulations.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

No. However, leasing companies are relieved of printing redundant language on their leased vehicle contracts.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

N/A

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Sections 521.004 and 681.102, Florida Statutes.

E. SECTION-BY-SECTION RESEARCH:

Section 1. Amends s. 521.004, F.S., to conform state law to federal regulations.

Section 2. Amends ss. 681.102 (3), (9), and (12), F.S., to clarify that manufacturers are required to reimburse finance charges to leasing companies when leased "lemon" vehicles are repurchased, and to conform language to federal regulation.

Section 3. Provides that the act shall take effect July 1 of the year in which enacted.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Motor vehicle manufacturers are required to reimburse leasing companies for finance charges incurred prior to the manufacturer repurchasing a leased "lemon" vehicle.

2. Direct Private Sector Benefits:

Leasing companies are relieved of printing redundant language on leased vehicle contracts and consumers are provided with clarity in those documents.

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3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This act does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This act does not reduce the authority that counties or municipalities have to raise revenue in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This act does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The amendment by the Committee on Business Regulation and Consumer Affairs makes two changes to the bill by:

- Removing the changes to s. 681.102 (3) and (12), F.S., Lemon Law, that were included to conform state law to federal regulation. Representatives from the Department of Legal Affairs requested removal saying that these changes are not necessary and the law is working as intended.
- Clarifying the statutory formula in the Lemon Law to ensure that leasing companies are reimbursed for their finance charges by the manufacturers of the "lemon" vehicles.

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VII. SIGNATURES:

COMMITTEE ON BUSINESS REGULATION AND CONSUMER AFFAIRS:

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