CONSUMER LEASING ACT (REGULATION M)

REVIEW CONSIDERATIONS

Review Considerations

Review Area	Requirements / Recommendations
Policy/Procedures	Adopt policy and comprehensive procedures for implementing Regulation M.
Coverage	Regulation M applies only to leases: • Longer than four months in duration; • Valued at no more than $25,000; • For personal property to be used primarily for personal, family, or household use; and • Made to a natural person.
Exemptions	Regulation M does not apply to leases: • To any organization; • Of property to be used for commercial or agricultural purposes; • Of personal property that is incidental to the lease of real property; • Of real property; or • That meet the definition of credit sale.
Initial Disclosures	Disclosures must be made before the lease is consummated and must contain the following: • A dated, written statement clearly identifying the lessor and lessee; • A brief description of the leased property; • The total amount of any advance payments made by the lessee; • The number, amount, and timing of payments scheduled under the lease and the total amount of payments; • The total amount of all other charges that are not already included in the periodic payments; • Identification of insurance (if any) required in connection with the lease; • Identification of any express warranty or guarantee available to the lessee; • Identification of the party responsible for maintenance of the leased property; • A description of any security interest retained by the lessor; • The amount, or method of determining the amount, of penalties for delinquent or defaulted

	payments; • A statement whether the lessee has the option to purchase the leased property and at what price; • A statement of the conditions under which the lease may be terminated by either party; and • The lessee's liability at early termination and at the end of the lease term. If any of the required disclosure information is not known at the time of disclosure, the lessor must provide an estimate of the unknown information and clearly identify it as an estimate.
Subsequent Disclosures	• Renegotiation A renegotiation occurs when a consumer lease subject to this part is satisfied and replaced by a new lease undertaken by the same consumer. A renegotiation requires new disclosures, except as provided in the exceptions section below. • Extension An extension is a continuation, agreed to by the lessor and the lessee, of an existing consumer lease beyond the originally scheduled end of the lease term, except when the continuation is the result of a renegotiation. An extension that exceeds six months requires new disclosures, except as provided in the exceptions section below. • Assumption New disclosures are not required when a consumer lease is assumed by another person, whether or not the lessor charges an assumption fee. • Exceptions New disclosures are not required for the following, even if they meet the definition of a renegotiation or an extension: (a) A reduction in the rent charge; (b) The deferment of one or more payments, whether or not a fee is charged; (c) The extension of a lease for not more than six months on a month-to-month basis or

	otherwise; (d) A substitution of leased property with property that has a substantially equivalent or greater economic value, provided no other lease terms are changed; (e) The addition, deletion, or substitution of leased property in a multiple-item lease, provided the average periodic payment does not change by more than 25 percent; or (f) (f)An agreement resulting from a court proceeding.
Advertising	Only lease terms that are, or will be, available in the future may be advertised. If the advertisement uses certain triggering terms (the amount of any payment, including a down payment, or a statement that no down payment or other payment is required before delivery), it must also state the following: • That the transaction advertised is a lease; • The total amount due prior to or at consummation or delivery; • The number, amounts, and timing of scheduled payments; • Whether or not a security deposit is required; and • Whether the lessee may be assessed an extra charge at the end of the lease term based on the difference between the estimated residual value of the leased property at lease end and its realized value at lease end.
Record Retention	A lessor shall retain evidence of compliance with the requirements imposed by Regulation M, other than the advertising requirements under Sec. 213.7, for a period of not less than two years after the date the disclosures are required to be made or an action is required to be taken.
Training	Provide training to employees involved in the granting and advertising consumer leases.
Updating	Update policies, procedures, disclosures, and notices as necessary to reflect changes in the regulation or changes in lease terms.
Internal Review	Conduct an internal review at least annually to assess compliance with the regulation and conformity of an institution's practices with its

	policies and procedures.