CONSUMER LEASING ACT (REGULATION M)

DEFINITIONS

Definitions (Section 213.2)

Act
The Truth in Lending Act (15 U.S.C. 1601 et seq.). The Consumer Leasing Act is chapter 5 of the Truth in Lending Act.

Advertisement
A commercial message in any medium that directly or indirectly promotes a consumer lease transaction.

Board
Refers to the Board of Governors of the Federal Reserve System.

Closed-end lease
A consumer lease other than an open-end lease as defined in this section.

Consumer lease
A contract in the form of a bailment or lease for the use of personal property by a natural person primarily for personal, family, or household purposes, for a period exceeding four months and for a total contractual obligation not exceeding $25,000, whether or not the lessee has the option to purchase or otherwise become the owner of the property at the expiration of the lease. Unless the context indicates otherwise, in this part "lease" means "consumer lease."

- The term does not include a lease that meets the definition of a credit sale in Regulation Z (12 CFR 226.2(a)). It also does not include a lease for agricultural, business, or commercial purposes or a lease made to an organization.
- This part does not apply to a lease transaction of personal property which is incident to the lease of real property and which provides that:
  (a) The lessee has no liability for the value of the personal property at the end of the lease term except for abnormal wear and tear; and
  (b) The lessee has no option to purchase the leased property.

Gross capitalized cost
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, including but not limited to taxes, insurance, service agreements, and any outstanding prior credit or lease balance. Capitalized cost reduction means the total amount of any rebate, cash payment, net trade-in allowance, and noncash credit that reduces the gross capitalized cost. The adjusted capitalized cost equals the gross capitalized cost less the capitalized cost reduction, and is the amount used by the lessor in calculating the base periodic payment.

Lessee
A natural person who enters into or is offered a consumer lease.

Lessor
A person who regularly leases, offers to lease, or arranges for the lease of personal property under a consumer lease. A person who has leased, offered, or arranged to lease personal property more than five times in the preceding calendar year or more than five times in the current calendar year is subject to the act and this part.

Open-end lease
A consumer lease in which the lessee's liability at the end of the lease term is based on the difference between the residual value of the leased property and its realized value.

Organization
A corporation, trust, estate, partnership, cooperative, association, or government entity or instrumentality.

Person
A natural person or an organization.

Personal property
Any property that is not real property under the law of the state where the property is located at the time it is offered or made available for lease.

Realized value
- The price received by the lessor for the leased property at disposition;
- The highest offer for disposition of the leased property; or
- The fair market value of the leased property at the end of the lease term.

Residual value
The value of the leased property at the end of the lease term, as estimated or assigned at consummation by the lessor, used in calculating the base periodic payment.

Security interest and security
Any interest in property that secures the payment or performance of an obligation.

State
Any state, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.