

EXTENSIONS OF REMARKS

AUTOMOBILE LEASE ADVERTISING ACT OF 1998

SPEECH OF

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Sunday, October 11, 1998

Mr. LaFALCE. Mr. Speaker, automobile leasing is a growing phenomenon that is supplanting traditional new car sales and dominating automobile advertising. A decade ago consumer leases represented less than 5 percent of all new car transactions. Today, more than a third of all new automobile transactions involve leases. By the year 2000, auto industry experts predict, leases will constitute over half of all new car transactions and a significant portion of used car transactions.

This rapid growth in automobile leases has generated a concomitant increase in lease advertising. Leases now figure more prominently than traditional auto sales in advertising in my Congressional district in Western New York, in the Washington, D.C. market and, I suspect, in most major markets across the country.

While automobile leases can be beneficial for many consumers, current advertising practices make it virtually impossible for consumers to make intelligent, informed choices between leasing and buying options, or even among competing lease options. Unlike other major household purchases, consumers have little or no basis to evaluate comparable lease opportunities. Therefore, I am today introducing legislation that will reform the advertising of auto leases and permit consumers to comparison shop. My legislation, the "Automobile Lease Advertising Act of 1998", amends the Consumer Leasing Act of 1976 to provide consumers with more consistent, relevant and timely information about auto lease terms and costs. It does not dictate how leases must be structured or transacted, but only requires that dealers provide more relevant and understandable information about the terms of advertised leases.

I. THE PROBLEMS IN LEASE ADVERTISING

Auto leases are, by their nature, far more complex and confusing than traditional auto sales. Lease advertising, rather than clarifying and simplifying lease terms, instead tends to confuse and obfuscate. Advertisements feature only the most attractive lease terms while hiding or omitting significant consumer costs and liabilities. Key elements of leases—the vehicle capitalized cost, residual value and lease interest rate—lack standardization and are easily manipulated to hide actual costs. Detailed information on actual lease terms is generally unavailable to consumers until they are in the dealership and engaged in lease negotiations. And, even then, key cost disclosures required by Federal law are typically not provided until just before lease signing.

The entire process provides information far too late to permit consumers to make intelligent choices between leasing and buying an automobile or between competing lease opportunities.

As a special task force of State Attorneys General commented to the Federal Reserve Board in 1995, current lease disclosure standards tend to "sanction the hiding of valuable information from consumers."

It is lease advertising that poses the greatest potential for confusing and deceiving consumers. The problems of lease advertising are visible every day—in television advertisements that boldly promote attractive monthly lease payments while scrolling other costs and conditions illegibly across TV screens, print advertisements that hide important lease terms in confusing tiny print, and advertisements generally that fail to disclose substantial consumer costs and liabilities. While one of the worst advertising practices—highlighting "no downpayment" when significant upfront payments are in fact required—is less common in lease advertising as a result of recent enforcement actions by the Federal Trade Commission and State Attorneys General, other abusive practices continue. Many advertisements feature low, "come on" monthly lease payments that are artificially reduced through a number of common devices. The advertisement of extended or irregular lease terms, rather than the 24- or 36-month terms typically offered consumers, can misleadingly lower monthly payment amounts. Substantial required downpayments, typically hidden in small print, can produce the same result. Mileage allowances that are considerably below what most drivers require or accept can inflate vehicle residual values and also reduce monthly payments, while hiding substantial lease-end excess mileage charges. Advertisers often employ all of these devices.

Clearly anything goes in lease advertising under the current system. Advertisers have one purpose in mind and one purpose only—getting customers into the dealership where they can potentially be influenced into signing any lease terms. There is no desire to adequately inform or educate consumers. The primary purpose of lease advertising is to bait consumers with misleading or incomplete information that minimizes real costs and makes it virtually impossible to compare alternative deals on comparable vehicles.

In their comments to the Federal Reserve the State Attorneys General expressed concern that "automobile lease advertisements have, for several years, generally failed to adequately disclose material information consumers need to make informed decisions." The Federal Trade Commission echoes this sentiment, stating that current "misleading advertisements may significantly hinder comparison lease shopping, in direct contradiction of the purposes of the Consumer Leasing Act."

II. THE PROVISIONS OF THE LEGISLATION

The legislation I am introducing today addresses these problems by requiring that more relevant and uniform information be provided in lease advertisements and that more detailed information on actual lease terms be made available earlier in the lease process. These changes would empower consumers by providing more of the information they need to

compare lease options and make intelligent decisions.

My legislation does this in a number of ways. First, lease advertisers that include a monthly lease payment would have to include a calculation of the payment using a formula that includes several fixed lease terms. These are relatively standard terms found in consumer leases, but often manipulated for purposes of advertising: a lease term of 24 months, no downpayment or capitalized cost reduction requirement, and a mileage allowance of 12,000 miles per year (or 24,000 miles for a 24-month lease). This eliminates some of the artificial differences between advertised lease payments, emphasizing more basic cost differences between competing leases. Advertisers could also include a different monthly payment amount in an advertisement for the same vehicle, as long as it is not featured more prominently than the required information, and provided they also identify the varying lease terms—a required downpayment, a longer lease term, etc.—that explain the difference between the two payment amounts.

This change would provide a relatively uniform monthly payment amount that makes it easier for consumers to compare advertised leased payments for similar, comparably-priced vehicles. It would also help inform consumers of the potential options available in auto leases, of how changes in key terms will affect monthly payments and of the potential costs and penalties that may be hidden in otherwise attractive lease payments. This proposal would encourage the type of advertisement used recently by a Chevrolet dealer in my district that featured six vehicle models on a chart with monthly payments for each vehicle based on a uniform lease term, no required downpayment and 12,000-mile annual mileage allowances. Additional columns on the chart showed how this payment would change with a higher downpayment or a longer lease term. A final column on the chart provided the alternative purchase price for each vehicle. This is an excellent example of advertising that educates rather than confuses consumers.

Second, my bill would require that automobile dealers post in a conspicuous location in their dealership a listing of all customer incentives available to consumers on vehicle models they offer. This would include special interest and lease rates, cash rebates, special vehicle residual amounts, regional promotions and other special offers available for both lease and purchase transactions by auto manufacturers, banks, leasing companies and local dealers. This is public information that consumers typically do not have and which often is offered only within the context of backroom deals. This proposals would allow interested consumers to see and compare all the potential incentives available on different vehicle models to see where they can find the best deals and to help them decide between leasing and buying a vehicle.

Third, my bill also requires automobile dealers that advertise monthly lease payments, or

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Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

participate in national or regional promotions that feature lease payments, to make available to the public, upon request, a brief, written summary (which should, I expect, be not more than one brief page) of the essential lease terms and costs used in computing the advertised lease payment. Since the dealer has sought to benefit by publicizing the monthly lease payment, it follows that interested consumers should be able to see the other relevant terms used to calculate that payment. This would provide consumers with more detailed information earlier in the lease process and give them a more equal position in lease negotiations. And it would give consumers more detailed information that they could take to other dealerships to compare available lease options.

This proposal would achieve in auto leasing the same basic principles identified in recent House and Senate hearings regarding the reform and simplification of RESPA mortgage disclosure requirements—making it easier for consumers to comparison shop by providing more detailed information earlier in the sales process.

Fourth, the bill would incorporate in current law several important changes in lease advertising advocated by the Federal Reserve Board and the Federal Trade Commission. It includes Federal Reserve proposals to increase the maximum contractual obligation amount of leases subject to disclosure and advertising requirements of the Consumer Leasing Act to accommodate the higher cost leases routinely offered in today's marketplace. It would clarify the "clear and conspicuous" disclosure requirement in current law with more detailed "reasonably understandable" standards implemented by the Federal Trade Commission in its 900 Number rule and other industry advertising orders. It includes a Federal Reserve proposal to expand the simplified 800-Number disclosure option in current law to television as well as radio advertisements. It strengthens the FTC's authority to enforce lease advertising requirements by seeking civil penalties in federal court. And it would codify the prohibition, enunciated in recent FTC enforcement actions, against advertising that no downpayment is required on a lease when substantial undisclosed payments are required at lease signing.

Finally, my bill would clarify that the requirements of the Consumer Leasing Act apply not just to television, radio and newspaper advertising, but to all potential lease advertising in publications, videotapes, toll-free telephone numbers, newsletters and commercial mailing and fliers. It would also bring the Consumer Leasing Act into the electronic age by extending disclosure requirements to advertising on the internet and in computer programs.

III. CONCLUSION

Other than purchasing a home, buying or leasing an automobile is one of the most important consumer transactions for most American households. It shouldn't be a confusing or an intimidating experience. Consumers have a right to know all the relevant costs and details before signing a lease. And they deserve to have adequate information to comparison shop for auto leases in the same way they shop for a mortgage or for any major consumer purchase.

My legislation would empower consumers by requiring that they be given more consistent and detailed information about auto leases

in a manner that is timely and that allows them to make careful comparisons and intelligent decisions. It does not dictate how leases must be structured or transacted, only that dealers make available more relevant information about the costs and terms used in a lease. This simply extends the principles of truth in advertising to the automobile leasing process.

I believe this is important and needed legislation that can transform the entire auto leasing process in ways that will benefit both consumers and automobile dealers. I urge my colleagues to give careful consideration to the changes and initiatives proposed in this legislation.

CONSUMER AUTOMOBILE LEASE ADVERTISING ACT OF 1998

Sponsor: Rep. John J. LaFalce (NY).
Bill Number: H.R. ; Introduced October 10, 1998 and referred to the Committee on Banking and Financial Services.

SECTION-BY-SECTION SUMMARY

Section 1. Short title

Consumer Automobile Lease Advertising Act of 1998

Section 2. Purpose

To amend the Consumer Leasing Act of 1976 (Chapter 5 of the Consumer Credit Protection Act—"Truth in Lending Act") to simplify and standardize automobile lease advertising in order to provide consumers with more relevant and easily understood information regarding the terms and costs of lease offerings earlier in the leasing process and permit consumers to compare lease and purchase options and comparison shop among lease opportunities.

Section 3. Applicable consumer leases

Increases the total contractual obligation of leases that are subject to the consumer disclosure and advertising requirements of the Consumer Leasing Act to \$50,000 (from \$25,000 set in 1976) to accommodate the higher cost lease transactions now routinely offered. Requires annual adjustment of the maximum obligation amount to reflect changes in the consumer price index.

Section 4. Automobile lease advertising

Clarifies and Updates Current Lease Advertising Disclosure Requirements

Requires that lease transactions be clearly identified as a lease in both the audio and video portions of television advertisements in addition to print advertisements.

Clarifies that disclosure requirements apply to all lease advertising, including television, radio, videotapes, toll-free telephone numbers, publications, newsletters and commercial mailings and fliers.

Extends disclosure requirements and standards to advertisements in computer programs and in web pages on the Internet.

Section 5. Alternative lease disclosures

Permits television advertisements to use the simplified disclosure option in current law for radio advertisements, thereby permitting an advertiser, in lieu of making all required disclosures in an advertisement, to prominently identify a toll-free 800 number in the advertisement that permits consumers to obtain all required disclosures by telephone.

Requires that alternative disclosures by toll-free telephone numbers be in a format that permits information to be repeated, that is free of marketing information and that permits consumers to request the information in writing and by mail.

Section 6. Advertisement for automobile lease

Prohibited practices

Prohibits a lessor from advertising that no downpayment is required when the lessor re-

quires a capitalized cost reduction payment, acquisition fee, vehicle trade-in or other significant up-front payment to be made at lease signing that is not refundable to the lessee.

Prohibits lessor from advertising payment amounts or other lease terms that they do not routinely or customarily offer or make available to consumers, that they do not intend to make available generally to customers as part of any promotion, or that they customarily offer or make available only to selected or preferred customers.

Advertised lease payment amounts

Requires that any lease advertisement that includes a monthly lease payment amount for a vehicle model include a calculation of the monthly payment amount using a formula established in regulation by the Federal Reserve Board that includes the following lease terms:

Vehicle Price: the vehicle capitalized cost without adjustment for any down payment, capitalized cost reduction, vehicle trade-in or other required payment by the lessee at or before lease signing;

Lease Term: a lease term of 24 months; and
Mileage Allowance: a mileage allowance of 12,000 miles for each year of the two-year lease term (or 24,000 miles) before excess mileage charges may be imposed.

Requires that a lease advertisement that states a monthly payment amount also include a clear and conspicuous statement that the payment amount applies to a lease with a 24-month term, with no required downpayment and with an annual mileage allowance of 12,000 miles.

Permits an advertiser or dealer to advertise additional lease payment amounts for a vehicle model that are different from the payment amount required to be advertised, provided that any additional payment amount does not appear more prominently than the required payment amount and the advertisement includes additional disclosures that explain the difference between the payment amounts.

Section 7. Availability of written information

Requires that an automobile dealer that advertises a monthly lease payment amount, or participates in any national or regional promotion that includes an advertised monthly lease payment amount, make available to consumers at the dealership a brief written summary of the essential costs and terms associated with the advertised lease.

Requires an automobile dealer that offers consumer leases to post in a conspicuous location in the dealership a listing by vehicle model of all customer incentives, including special interest or lease rates, rebates, vehicle residual values, regional programs and other special offers and promotions that are available for both lease and purchase transactions.

Section 8. Clear and conspicuous disclosure

Clarifies the "clear and conspicuous" requirement in current law for required disclosures in automobile lease advertisements by incorporating more specific "reasonably understandable" standards used by the Federal Trade Commission in the 900 Number Rule and other industry advertising orders. Under these standards, any required disclosures that appear in writing in print and video advertisements, must be sufficient type size, shade, contrast and prominence to be readily noticeable, readable and comprehensible to an ordinary consumer; in the audio portions of television, radio and videotape advertisements, must be delivered in a volume, cadence and location, and for sufficient duration, as to be readily noticeable, hearable and comprehensible to an ordinary consumer; in advertisements on the internet,

must appear in a type size, contrast, prominence and location as to be readily readable and comprehensible to users and separated from marketing and promotional information.

Requires that nothing contrary to, inconsistent with or in mitigation of any required disclosures be used in any advertisement and that no audio, video or print technique be used that will obscure or detract from the communication of any required disclosures.

Section 9. Administrative enforcement

The section clarifies that a violation of the lease advertising sections of the Leasing Act are to be considered unfair and deceptive acts or practices under the FTC Act, thus providing the FTC with the same enforcement authority it currently exercises in enforcing violations of its trade regulation rules. This would permit the FTC to bring court actions for civil penalties in the first instance (rather than the FTC having to first place violators under consent agreements in order to enforce these agreements).

Section 10. Civil liability

Increases the maximum potential liability of a lessor for punitive damages in civil actions for violations of the Consumer Leasing Act from \$1,000 to \$10,000.

Section 11. Regulations

Directs the Federal Reserve Board to issue regulations to implement the changes made by the Act within 6 months of the date of enactment.

Directs the Board to issue regulations and staff commentary, as necessary, to update and clarify the requirements of the Consumer Leasing Act as amended by the Act and to facilitate compliance with or prevent circumvention of any amendment made by the Act.

PROJECT UPLIFT

HON. HEATHER WILSON

OF NEW MEXICO

IN THE HOUSE OF REPRESENTATIVES

Monday, October 12, 1998

Ms. WILSON. Mr. Speaker, I wish to bring your attention to a project in my district which has received Presidential recognition as a "Promising Practice" that will improve education and career opportunities in mathematics, science, and engineering for minority youth in New Mexico.

Project Uplift produces a regular half-hour television program broadcast across New Mexico that teaches young people in every part of our state about careers in high technology. In addition, the project sponsors the annual High Technology Career Preparedness Youth Institute at Sandia National Laboratory. Through hands-on activities, this week-long institute introduces young people to professionals in a variety of fields relating to the environment, medicine and health, advanced computing and robotics, advanced manufacturing and astronomy.

Another important initiative of the project is the annual Rio Grande High Technology Minority and Women Job Fair. Each fall, this job fair draws over 600 university students from all over New Mexico majoring in engineering, physical and life sciences. Room and board is provided for these students who then have the opportunity to meet potential employers from across the country.

Project Uplift's success has even garnered international attention through the United Na-

tions Educational, Scientific and Cultural Organization (UNESCO). UNESCO officials were impressed with the success of Project Uplift in reaching diverse and remotely situated people.

Project Uplift has done an excellent job of addressing New Mexico's diverse population and rural character. I am proud to highlight their accomplishments and encourage their future success.

AFFORDABLE HEALTH CARE FOR THE NEAR ELDERLY ACT

HON. DAVID DREIER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, October 12, 1998

Mr. DREIER. Mr. Speaker, I am concerned by the large number of near-elderly individuals who cannot afford insurance. According to a recent study by the General Accounting Office (GAO), those without health insurance face a nearly impossible task of obtaining affordable and adequate health care. For many, their age, health status and income force them to go without health care until they reach 65 when Medicare coverage begins. The GAO concluded that the problem will only worsen as more individuals retire early without health insurance coverage from their employer.

In response to this growing problem, President Clinton proposed permitting the near-elderly to buy into the Medicare program by paying a large annual premium. To qualify for Medicare, elderly couples would have to pay nearly \$10,000 a year which is too expensive for many retirees on fixed incomes. In a recent study, the National Coalition on Health Care concluded that the high annual premium means that the President's proposal would have "little impact" in providing coverage to the 3 million near-elderly individuals without health insurance. Furthermore, the Congressional Budget Office estimates that only 320,000 individuals, approximately 10% of the affected group, would buy into Medicare. In addition, the President's plan may also hasten Medicare's solvency crisis. The American Association of Retired Persons recently expressed their concern that the proposal could threaten the current Medicare program.

I believe that Congress can expand access to affordable health care for the uninsured near-elderly without harming Medicare. Today, I have introduced H.R.—, which allows the near-elderly to enroll in the Federal Employees Health Benefit Program, which gives participants a wealth of health care choices at lower prices. To participate, a near-elderly individual would pay the total cost of the premium, the employees share and the federal subsidy, which is up to \$2,000 less per year than the President's proposal. The lower premium could mean that more uninsured individuals would enroll in a health plan that provides services, like prescription drugs and dental care, not offered by Medicare. My bill also allows younger Americans to access Medical Savings Accounts to prevent a loss of health insurance before they qualify for Medicare.

Mr. Speaker, this legislation addresses the need of three million uninsured near-elderly individuals who need an affordable health care option. I believe that this common-sense approach can help the vulnerable near-elderly without requiring them to sacrifice their entire pension for health care.

NORTH QUEENSBURY VOLUNTEER FIRE COMPANY, INC. CELEBRATES 50 YEARS

HON. GERALD B.H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, October 12, 1998

Mr. SOLOMON. Mr. Speaker, when one walks into my Congressional office in Washington he or she immediately notices a prominent fixture in the reception area—the collection of fire helmets representing the many volunteer fire companies in my district that stand ready at all times to protect the lives and property of their communities' residents.

Volunteer fire companies epitomize the overwhelming sense of community that exists in the small towns and villages of the Hudson Valley of New York. The sense of pride, spirit of volunteerism and undeniable camaraderie among neighbors is one of the things I so relish about my time spent at home in the 22nd Congressional District. This spirit is no more evident than in North Queensbury, New York and its beloved volunteer fire company.

This year the North Queensbury Volunteer Fire Company is celebrating its 50th year of all-volunteer service to the North Queensbury community. As part of the continuing 50th anniversary celebration, on October 17 the fire company will be dedicating its new firehouse.

Mr. Speaker, as a former fire volunteer myself, it is a great honor for me to invite my fellow colleagues to join me in commemorating this joyous event, and in doing so recognize the outstanding contributions the North Queensbury fire volunteers give to their neighbors.

In a rural area like the 22nd District of New York, fire protection is often solely in the hands of volunteer companies. I cannot say enough about the many lives and millions of dollars of property that have been saved due to the efforts of the North Queensbury volunteers. But the value of such a vital public service can hardly be identified in terms of dollars and cents. The willingness of these volunteers to selflessly place themselves in harm's way to ensure the preservation of their neighbors' lives and property is worthy of the highest praise.

Mr. Speaker, I have always been one to judge people by the contributions they make to their community. To that end, the men and women who comprise the North Queensbury Volunteer Fire Company are truly great Americans! I am truly proud of this organization and its spirit of volunteerism that is such a central part of the American way of life. Therefore, it is with great pride, Mr. Speaker, that I ask all members to join me in paying tribute to them on their 50th anniversary.

CELEBRATING THE 125TH ANNIVERSARY OF THE FIRST ASCENT OF MT. WHITNEY

HON. JERRY LEWIS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, October 12, 1998

Mr. LEWIS of California. Mr. Speaker, I would like to bring to your attention today the 125th anniversary of the first ascent of Mt.