

ASSEMBLY BILL

No. 1447

Introduced by Assembly Member Feuer

January 4, 2012

An act to amend Section 2982 of, and to add Sections 2981.6 and 2983.35 to, the Civil Code, relating to automobile sales.

LEGISLATIVE COUNSEL'S DIGEST

AB 1447, as introduced, Feuer. Automobile sales finance: sellers.

The Rees-Levering Motor Vehicle Sales and Finance Act regulates conditional sales contracts for motor vehicles, and, among other things, requires a person selling or leasing a motor vehicle under a conditional sale contract to disclose certain information to the buyer of the vehicle. A willful violation of those provisions is a misdemeanor and may render the contract unenforceable. A seller who violates the provisions of the act may also be liable to the buyer for monetary damages.

This bill would prohibit a seller under the act from requiring, as part of a contract, the buyer to make payments in person, with the exception of the downpayment for the vehicle. Additionally, this bill would require a seller to display the vehicle's sale price on the vehicle. This bill would also prohibit a seller from calling a buyer's references after the sale of the vehicle, and would prohibit a seller from, after the sale of the vehicle, tracking the vehicle using Global Positioning System technology and from disabling the vehicle with ignition override technology.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 2981.6 is added to the Civil Code, to
2 read:

3 2981.6. Every seller subject to this chapter shall display the
4 sales price of a vehicle on the vehicle. For purposes of this section,
5 a seller may display a manufacturer’s suggested retail price if the
6 vehicle is a new vehicle as defined in Section 430 of the Vehicle
7 Code.

8 SEC. 2. Section 2982 of the Civil Code, as amended by Section
9 3 of Chapter 329 of the Statutes of 2011, is amended to read:

10 2982. A conditional sale contract subject to this chapter shall
11 contain the disclosures required by Regulation Z, whether or not
12 Regulation Z applies to the transaction. In addition, to the extent
13 applicable, the contract shall contain the other disclosures and
14 notices required by, and shall satisfy the requirements and
15 limitations of, this section. The disclosures required by subdivision
16 (a) may be itemized or subtotaled to a greater extent than as
17 required by that subdivision and shall be made together and in the
18 sequence set forth in that subdivision. All other disclosures and
19 notices may appear in the contract in any location or sequence and
20 may be combined or interspersed with other provisions of the
21 contract.

22 (a) The contract shall contain the following disclosures, as
23 applicable, which shall be labeled “itemization of the amount
24 financed”:

25 (1) (A) The cash price, exclusive of document preparation fees,
26 business partnership automation fees, taxes imposed on the sale,
27 pollution control certification fees, prior credit or lease balance on
28 property being traded in, the amount charged for a service contract,
29 the amount charged for a theft deterrent system, the amount charged
30 for a surface protection product, the amount charged for an optional
31 debt cancellation agreement, and the amount charged for a contract
32 cancellation option agreement.

33 (B) The fee to be retained by the seller for document preparation.

34 (C) The fee charged by the seller for certifying that the motor
35 vehicle complies with applicable pollution control requirements.

- 1 (D) A charge for a theft deterrent device.
- 2 (E) A charge for a surface protection product.
- 3 (F) Taxes imposed on the sale.
- 4 (G) The amount of any optional business partnership automation
- 5 fee to register or transfer the vehicle, which shall be labeled
- 6 “Optional DMV Electronic Filing Fee.”
- 7 (H) The amount charged for a service contract.
- 8 (I) The prior credit or lease balance remaining on property being
- 9 traded in, as required by paragraph (6). The disclosure required
- 10 by this subparagraph shall be labeled “prior credit or lease balance
- 11 (see downpayment and trade-in calculation).”
- 12 (J) Any charge for an optional debt cancellation agreement.
- 13 (K) Any charge for a used vehicle contract cancellation option
- 14 agreement.
- 15 (L) The total cash price, which is the sum of subparagraphs (A)
- 16 to (K), inclusive.
- 17 (M) The disclosures described in subparagraphs (D), (E), and
- 18 (K) are not required on contracts involving the sale of a motorcycle,
- 19 as defined in Section 400 of the Vehicle Code, or on contracts
- 20 involving the sale of an off-highway motor vehicle that is subject
- 21 to identification under Section 38010 of the Vehicle Code, and the
- 22 amounts of those charges, if any, are not required to be reflected
- 23 in the total price under subparagraph (L).
- 24 (2) Amounts paid to public officials for the following:
- 25 (A) Vehicle license fees.
- 26 (B) Registration, transfer, and titling fees.
- 27 (C) California tire fees imposed pursuant to Section 42885 of
- 28 the Public Resources Code.
- 29 (3) The aggregate amount of premiums agreed, upon execution
- 30 of the contract, to be paid for policies of insurance included in the
- 31 contract, excluding the amount of any insurance premium included
- 32 in the finance charge.
- 33 (4) The amount of the state fee for issuance of a certificate of
- 34 compliance, noncompliance, exemption, or waiver pursuant to any
- 35 applicable pollution control statute.
- 36 (5) A subtotal representing the sum of the amounts described
- 37 in paragraphs (1) to (4), inclusive.
- 38 (6) The amount of the buyer’s downpayment itemized to show
- 39 the following:
- 40 (A) The agreed value of the property being traded in.

- 1 (B) The prior credit or lease balance, if any, owing on the
2 property being traded in.
- 3 (C) The net agreed value of the property being traded in, which
4 is the difference between the amounts disclosed in subparagraphs
5 (A) and (B). If the prior credit or lease balance of the property
6 being traded in exceeds the agreed value of the property, a negative
7 number shall be stated.
- 8 (D) The amount of any portion of the downpayment to be
9 deferred until not later than the due date of the second regularly
10 scheduled installment under the contract and that is not subject to
11 a finance charge.
- 12 (E) The amount of any manufacturer’s rebate applied or to be
13 applied to the downpayment.
- 14 (F) The remaining amount paid or to be paid by the buyer as a
15 downpayment.
- 16 (G) The total downpayment. If the sum of subparagraphs (C)
17 to (F), inclusive, is zero or more, that sum shall be stated as the
18 total downpayment and no amount shall be stated as the prior credit
19 or lease balance under subparagraph (I) of paragraph (1). If the
20 sum of subparagraphs (C) to (F), inclusive, is less than zero, then
21 that sum, expressed as a positive number, shall be stated as the
22 prior credit or lease balance under subparagraph (I) of paragraph
23 (1), and zero shall be stated as the total downpayment. The
24 disclosure required by this subparagraph shall be labeled “total
25 downpayment” and shall contain a descriptor indicating that if the
26 total downpayment is a negative number, a zero shall be disclosed
27 as the total downpayment and a reference made that the remainder
28 shall be included in the disclosure required pursuant to
29 subparagraph (I) of paragraph (1).
- 30 (7) The amount of any administrative finance charge, labeled
31 “prepaid finance charge.”
- 32 (8) The difference between the amount described in paragraph
33 (5) and the sum of the amounts described in paragraphs (6) and
34 (7), labeled “amount financed.”
- 35 (b) No particular terminology is required to disclose the items
36 set forth in subdivision (a) except as expressly provided in that
37 subdivision.
- 38 (c) If payment of all or a portion of the downpayment is to be
39 deferred, the deferred payment shall be reflected in the payment
40 schedule disclosed pursuant to Regulation Z.

1 (d) If the downpayment includes property being traded in, the
2 contract shall contain a brief description of that property.

3 (e) The contract shall contain the names and addresses of all
4 persons to whom the notice required pursuant to Section 2983.2
5 and permitted pursuant to Sections 2983.5 and 2984 is to be sent.

6 (f) (1) If the contract includes a finance charge determined on
7 the precomputed basis, the contract shall identify the method of
8 computing the unearned portion of the finance charge in the event
9 of prepayment in full of the buyer's obligation and contain a
10 statement of the amount or method of computation of any charge
11 that may be deducted from the amount of any unearned finance
12 charge in computing the amount that will be credited to the
13 obligation or refunded to the buyer. The method of computing the
14 unearned portion of the finance charge shall be sufficiently
15 identified with a reference to the actuarial method if the
16 computation will be under that method. The method of computing
17 the unearned portion of the finance charge shall be sufficiently
18 identified with a reference to the Rule of 78's, the sum of the digits,
19 or the sum of the periodic time balances method in all other cases,
20 and those references shall be deemed to be equivalent for disclosure
21 purposes.

22 (2) If the contract includes a finance charge that is determined
23 on the simple-interest basis but provides for a minimum finance
24 charge in the event of prepayment in full, the contract shall contain
25 a statement of that fact and the amount of the minimum finance
26 charge or its method of calculation.

27 (g) (1) If the contract includes a finance charge that is
28 determined on the precomputed basis and provides that the
29 unearned portion of the finance charge to be refunded upon full
30 prepayment of the contract is to be determined by a method other
31 than actuarial, the contract shall contain a notice, in at least
32 10-point boldface type if the contract is printed, reading as
33 follows: "Notice to buyer: (1) Do not sign this agreement before
34 you read it or if it contains any blank spaces to be filled in. (2)
35 You are entitled to a completely filled-in copy of this agreement.
36 (3) You can prepay the full amount due under this agreement at
37 any time and obtain a partial refund of the finance charge if it is
38 \$1 or more. Because of the way the amount of this refund will be
39 figured, the time when you prepay could increase the ultimate cost
40 of credit under this agreement. (4) If you default in the performance

1 of your obligations under this agreement, the vehicle may be
2 repossessed and you may be subject to suit and liability for the
3 unpaid indebtedness evidenced by this agreement.”

4 (2) If the contract includes a finance charge that is determined
5 on the precomputed basis and provides for the actuarial method
6 for computing the unearned portion of the finance charge upon
7 prepayment in full, the contract shall contain a notice, in at least
8 10-point boldface type if the contract is printed, reading as
9 follows: “Notice to buyer: (1) Do not sign this agreement before
10 you read it or if it contains any blank spaces to be filled in. (2)
11 You are entitled to a completely filled-in copy of this agreement.
12 (3) You can prepay the full amount due under this agreement at
13 any time and obtain a partial refund of the finance charge if it is
14 \$1 or more. (4) If you default in the performance of your
15 obligations under this agreement, the vehicle may be repossessed
16 and you may be subject to suit and liability for the unpaid
17 indebtedness evidenced by this agreement.”

18 (3) If the contract includes a finance charge that is determined
19 on the simple-interest basis, the contract shall contain a notice, in
20 at least 10-point boldface type if the contract is printed, reading
21 as follows: “Notice to buyer: (1) Do not sign this agreement
22 before you read it or if it contains any blank spaces to be filled in.
23 (2) You are entitled to a completely filled-in copy of this
24 agreement. (3) You can prepay the full amount due under this
25 agreement at any time. (4) If you default in the performance of
26 your obligations under this agreement, the vehicle may be
27 repossessed and you may be subject to suit and liability for the
28 unpaid indebtedness evidenced by this agreement.”

29 (h) The contract shall contain a notice in at least 8-point boldface
30 type, acknowledged by the buyer, that reads as follows:

31 “If you have a complaint concerning this sale, you should try to
32 resolve it with the seller.

33 Complaints concerning unfair or deceptive practices or methods
34 by the seller may be referred to the city attorney, the district
35 attorney, or an investigator for the Department of Motor Vehicles,
36 or any combination thereof.

37 After this contract is signed, the seller may not change the
38 financing or payment terms unless you agree in writing to the
39 change. You do not have to agree to any change, and it is an unfair
40 or deceptive practice for the seller to make a unilateral change.

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Buyer's Signature"

(i) (1) The contract shall contain an itemization of any insurance included as part of the amount financed disclosed pursuant to paragraph (3) of subdivision (a) and of any insurance included as part of the finance charge. The itemization shall identify the type of insurance coverage and the premium charged therefor, and, if the insurance expires before the date of the last scheduled installment included in the repayment schedule, the term of the insurance shall be stated.

(2) If any charge for insurance, other than for credit life or disability, is included in the contract balance and disbursement of any part thereof is to be made more than one year after the date of the conditional sale contract, any finance charge on the amount to be disbursed after one year shall be computed from the month the disbursement is to be made to the due date of the last installment under the conditional sale contract.

(j) (1) Except for contracts in which the finance charge or a portion of the finance charge is determined by the simple-interest basis and the amount financed disclosed pursuant to paragraph (8) of subdivision (a) is more than two thousand five hundred dollars (\$2,500), the dollar amount of the disclosed finance charge may not exceed the greater of:

(A) (i) One and one-half percent on so much of the unpaid balance as does not exceed two hundred twenty-five dollars (\$225), 1 1/6 percent on so much of the unpaid balance in excess of two hundred twenty-five dollars (\$225) as does not exceed nine hundred dollars (\$900) and five-sixths of 1 percent on so much of the unpaid balance in excess of nine hundred dollars (\$900) as does not exceed two thousand five hundred dollars (\$2,500).

(ii) One percent of the entire unpaid balance; multiplied in either case by the number of months (computed on the basis of a full month for any fractional month period in excess of 15 days) elapsing between the date of the contract and the due date of the last installment.

(B) If the finance charge is determined by the precomputed basis, twenty-five dollars (\$25).

- 1 (C) If the finance charge or a portion thereof is determined by
2 the simple-interest basis:
- 3 (i) Twenty-five dollars (\$25) if the unpaid balance does not
4 exceed one thousand dollars (\$1,000).
- 5 (ii) Fifty dollars (\$50) if the unpaid balance exceeds one
6 thousand dollars (\$1,000) but does not exceed two thousand dollars
7 (\$2,000).
- 8 (iii) Seventy-five dollars (\$75) if the unpaid balance exceeds
9 two thousand dollars (\$2,000).
- 10 (2) The holder of the contract shall not charge, collect, or receive
11 a finance charge that exceeds the disclosed finance charge, except
12 to the extent (A) caused by the holder's receipt of one or more
13 payments under a contract that provides for determination of the
14 finance charge or a portion thereof on the 365-day basis at a time
15 or times other than as originally scheduled whether or not the
16 parties enter into an agreement pursuant to Section 2982.3, (B)
17 permitted by paragraph (2), (3), or (4) of subdivision (c) of Section
18 226.17 of Regulation Z, or (C) permitted by subdivisions (a) and
19 (c) of Section 2982.8.
- 20 (3) If the finance charge or a portion thereof is determined by
21 the simple-interest basis and the amount of the unpaid balance
22 exceeds five thousand dollars (\$5,000), the holder of the contract
23 may, in lieu of its right to a minimum finance charge under
24 subparagraph (C) of paragraph (1), charge, receive, or collect on
25 the date of the contract an administrative finance charge not to
26 exceed seventy-five dollars (\$75), provided that the sum of the
27 administrative finance charge and the portion of the finance charge
28 determined by the simple-interest basis shall not exceed the
29 maximum total finance charge permitted by subparagraph (A) of
30 paragraph (1). Any administrative finance charge that is charged,
31 received, or collected by a holder shall be deemed a finance charge
32 earned on the date of the contract.
- 33 (4) If a contract provides for unequal or irregular payments, or
34 payments on other than a monthly basis, the maximum finance
35 charge shall be at the effective rate provided for in paragraph (1),
36 having due regard for the schedule of installments.
- 37 (k) The contract may provide that for each installment in default
38 for a period of not less than 10 days the buyer shall pay a
39 delinquency charge in an amount not to exceed in the aggregate 5
40 percent of the delinquent installment, which amount may be

1 collected only once on any installment regardless of the period
2 during which it remains in default. Payments timely received by
3 the seller under an extension or deferral agreement may not be
4 subject to a delinquency charge unless the charge is permitted by
5 Section 2982.3. The contract may provide for reasonable collection
6 costs and fees in the event of delinquency.

7 (l) Notwithstanding any provision of a contract to the contrary,
8 the buyer may pay at any time before maturity the entire
9 indebtedness evidenced by the contract without penalty. In the
10 event of prepayment in full:

11 (1) If the finance charge was determined on the precomputed
12 basis, the amount required to prepay the contract shall be the
13 outstanding contract balance as of that date, provided, however,
14 that the buyer shall be entitled to a refund credit in the amount of
15 the unearned portion of the finance charge, except as provided in
16 paragraphs (3) and (4). The amount of the unearned portion of the
17 finance charge shall be at least as great a proportion of the finance
18 charge, including any additional finance charge imposed pursuant
19 to Section 2982.8 or other additional charge imposed because the
20 contract has been extended, deferred, or refinanced, as the sum of
21 the periodic monthly time balances payable more than 15 days
22 after the date of prepayment bears to the sum of all the periodic
23 monthly time balances under the schedule of installments in the
24 contract or, if the contract has been extended, deferred, or
25 refinanced, as so extended, deferred, or refinanced. If the amount
26 of the refund credit is less than one dollar (\$1), no refund credit
27 need be made by the holder. Any refund credit may be made in
28 cash or credited to the outstanding obligations of the buyer under
29 the contract.

30 (2) If the finance charge or a portion of the finance charge was
31 determined on the simple-interest basis, the amount required to
32 prepay the contract shall be the outstanding contract balance as of
33 that date, including any earned finance charges that are unpaid as
34 of that date and, if applicable, the amount provided in paragraph
35 (3), and provided further that in cases where a finance charge is
36 determined on the 360-day basis, the payments received under the
37 contract shall be assumed to have been received on their respective
38 due dates regardless of the actual dates on which the payments
39 were received.

1 (3) If the minimum finance charge provided by subparagraph
2 (B) or subparagraph (C) of paragraph (1) of subdivision (j), if
3 either is applicable, is greater than the earned finance charge as of
4 the date of prepayment, the holder shall be additionally entitled to
5 the difference.

6 (4) This subdivision shall not impair the right of the seller or
7 the seller's assignee to receive delinquency charges on delinquent
8 installments and reasonable costs and fees as provided in
9 subdivision (k) or extension or deferral agreement charges as
10 provided in Section 2982.3.

11 (5) Notwithstanding any provision of a contract to the contrary,
12 if the indebtedness created by any contract is satisfied prior to its
13 maturity through surrender of the motor vehicle, repossession of
14 the motor vehicle, redemption of the motor vehicle after
15 repossession, or any judgment, the outstanding obligation of the
16 buyer shall be determined as provided in paragraph (1) or (2).
17 Notwithstanding, the buyer's outstanding obligation shall be
18 computed by the holder as of the date the holder recovers the value
19 of the motor vehicle through disposition thereof or judgment is
20 entered or, if the holder elects to keep the motor vehicle in
21 satisfaction of the buyer's indebtedness, as of the date the holder
22 takes possession of the motor vehicle.

23 *(m) The contract shall not require the buyer to make payments*
24 *to the seller in person. For purposes of this subdivision,*
25 *"payments" does not include the downpayment.*

26 ~~(m)~~

27 *(n) Notwithstanding any other provision of this chapter to the*
28 *contrary, any information required to be disclosed in a conditional*
29 *sale contract under this chapter may be disclosed in any manner,*
30 *method, or terminology required or permitted under Regulation*
31 *Z, as in effect at the time that disclosure is made, except that*
32 *permitted by paragraph (2) of subdivision (c) of Section 226.18*
33 *of Regulation Z, if all of the requirements and limitations set forth*
34 *in subdivision (a) are satisfied. This chapter does not prohibit the*
35 *disclosure in that contract of additional information required or*
36 *permitted under Regulation Z, as in effect at the time that disclosure*
37 *is made.*

38 ~~(n)~~

1 (o) If the seller imposes a fee for document preparation, the
2 contract shall contain a disclosure that the fee is not a governmental
3 fee.

4 ~~(o)~~

5 (p) A seller shall not impose an application fee for a transaction
6 governed by this chapter.

7 ~~(p)~~

8 (q) The seller or holder may charge and collect a fee not to
9 exceed fifteen dollars (\$15) for the return by a depository institution
10 of a dishonored check, negotiated order of withdrawal, or share
11 draft issued in connection with the contract if the contract so
12 provides or if the contract contains a generalized statement that
13 the buyer may be liable for collection costs incurred in connection
14 with the contract.

15 ~~(q)~~

16 (r) The contract shall disclose on its face, by printing the word
17 “new” or “used” within a box outlined in red, that is not smaller
18 than one-half inch high and one-half inch wide, whether the vehicle
19 is sold as a new vehicle, as defined in Section 430 of the Vehicle
20 Code, or as a used vehicle, as defined in Section 665 of the Vehicle
21 Code.

22 ~~(r)~~

23 (s) The contract shall contain a notice with a heading in at least
24 12-point bold type and the text in at least 10-point bold type,
25 circumscribed by a line, immediately above the contract signature
26 line, that reads as follows:

27

28 THERE IS NO COOLING-OFF PERIOD UNLESS YOU
29 OBTAIN A CONTRACT CANCELLATION OPTION.

30

31 California law does not provide for a “cooling-off” or other cancellation
32 period for vehicle sales. Therefore, you cannot later cancel this contract
33 simply because you change your mind, decide the vehicle costs too much,
34 or wish you had acquired a different vehicle. After you sign below, you
35 may only cancel this contract with the agreement of the seller or for legal
36 cause, such as fraud.

37 However, California law does require a seller to offer a 2-day contract
38 cancellation option on used vehicles with a purchase price of less than
39 \$40,000, subject to certain statutory conditions. This contract cancellation
40 option requirement does not apply to the sale of a recreational vehicle, a

1 motorcycle, or an off-highway motor vehicle subject to identification
2 under California law. See the vehicle contract cancellation option
3 agreement for details.

4
5

6 ~~(s)~~

7 (t) This section shall become inoperative on July 1, 2012, and,
8 as of January 1, 2013, is repealed, unless a later enacted statute
9 that is enacted before January 1, 2013, deletes or extends the dates
10 on which it becomes inoperative and is repealed.

11 SEC. 3. Section 2982 of the Civil Code, as added by Section
12 4 of Chapter 329 of the Statutes of 2011, is amended to read:

13 2982. A conditional sale contract subject to this chapter shall
14 contain the disclosures required by Regulation Z, whether or not
15 Regulation Z applies to the transaction. In addition, to the extent
16 applicable, the contract shall contain the other disclosures and
17 notices required by, and shall satisfy the requirements and
18 limitations of, this section. The disclosures required by subdivision
19 (a) may be itemized or subtotaled to a greater extent than as
20 required by that subdivision and shall be made together and in the
21 sequence set forth in that subdivision. All other disclosures and
22 notices may appear in the contract in any location or sequence and
23 may be combined or interspersed with other provisions of the
24 contract.

25 (a) The contract shall contain the following disclosures, as
26 applicable, which shall be labeled “itemization of the amount
27 financed”:

28 (1) (A) The cash price, exclusive of document processing
29 charges, charges to electronically register or transfer the vehicle,
30 taxes imposed on the sale, pollution control certification fees, prior
31 credit or lease balance on property being traded in, the amount
32 charged for a service contract, the amount charged for a theft
33 deterrent system, the amount charged for a surface protection
34 product, the amount charged for an optional debt cancellation
35 agreement, and the amount charged for a contract cancellation
36 option agreement.

37 (B) The charge to be retained by the seller for document
38 processing authorized pursuant to Section 4456.5 of the Vehicle
39 Code.

- 1 (C) The fee charged by the seller for certifying that the motor
- 2 vehicle complies with applicable pollution control requirements.
- 3 (D) A charge for a theft deterrent device.
- 4 (E) A charge for a surface protection product.
- 5 (F) Taxes imposed on the sale.
- 6 (G) The charge to electronically register or transfer the vehicle
- 7 authorized pursuant to Section 4456.5 of the Vehicle Code.
- 8 (H) The amount charged for a service contract.
- 9 (I) The prior credit or lease balance remaining on property being
- 10 traded in, as required by paragraph (6). The disclosure required
- 11 by this subparagraph shall be labeled “prior credit or lease balance
- 12 (see downpayment and trade-in calculation).”
- 13 (J) Any charge for an optional debt cancellation agreement.
- 14 (K) Any charge for a used vehicle contract cancellation option
- 15 agreement.
- 16 (L) The total cash price, which is the sum of subparagraphs (A)
- 17 to (K), inclusive.
- 18 (M) The disclosures described in subparagraphs (D), (E), and
- 19 (K) are not required on contracts involving the sale of a motorcycle,
- 20 as defined in Section 400 of the Vehicle Code, or on contracts
- 21 involving the sale of an off-highway motor vehicle that is subject
- 22 to identification under Section 38010 of the Vehicle Code, and the
- 23 amounts of those charges, if any, are not required to be reflected
- 24 in the total price under subparagraph (L).
- 25 (2) Amounts paid to public officials for the following:
- 26 (A) Vehicle license fees.
- 27 (B) Registration, transfer, and titling fees.
- 28 (C) California tire fees imposed pursuant to Section 42885 of
- 29 the Public Resources Code.
- 30 (3) The aggregate amount of premiums agreed, upon execution
- 31 of the contract, to be paid for policies of insurance included in the
- 32 contract, excluding the amount of any insurance premium included
- 33 in the finance charge.
- 34 (4) The amount of the state fee for issuance of a certificate of
- 35 compliance, noncompliance, exemption, or waiver pursuant to any
- 36 applicable pollution control statute.
- 37 (5) A subtotal representing the sum of the amounts described
- 38 in paragraphs (1) to (4), inclusive.
- 39 (6) The amount of the buyer’s downpayment itemized to show
- 40 the following:

1 (A) The agreed value of the property being traded in.

2 (B) The prior credit or lease balance, if any, owing on the
3 property being traded in.

4 (C) The net agreed value of the property being traded in, which
5 is the difference between the amounts disclosed in subparagraphs
6 (A) and (B). If the prior credit or lease balance of the property
7 being traded in exceeds the agreed value of the property, a negative
8 number shall be stated.

9 (D) The amount of any portion of the downpayment to be
10 deferred until not later than the due date of the second regularly
11 scheduled installment under the contract and that is not subject to
12 a finance charge.

13 (E) The amount of any manufacturer's rebate applied or to be
14 applied to the downpayment.

15 (F) The remaining amount paid or to be paid by the buyer as a
16 downpayment.

17 (G) The total downpayment. If the sum of subparagraphs (C)
18 to (F), inclusive, is zero or more, that sum shall be stated as the
19 total downpayment, and no amount shall be stated as the prior
20 credit or lease balance under subparagraph (I) of paragraph (1). If
21 the sum of subparagraphs (C) to (F), inclusive, is less than zero,
22 then that sum, expressed as a positive number, shall be stated as
23 the prior credit or lease balance under subparagraph (I) of
24 paragraph (1), and zero shall be stated as the total downpayment.
25 The disclosure required by this subparagraph shall be labeled "total
26 downpayment" and shall contain a descriptor indicating that if the
27 total downpayment is a negative number, a zero shall be disclosed
28 as the total downpayment and a reference made that the remainder
29 shall be included in the disclosure required pursuant to
30 subparagraph (I) of paragraph (1).

31 (7) The amount of any administrative finance charge, labeled
32 "prepaid finance charge."

33 (8) The difference between the amount described in paragraph
34 (5) and the sum of the amounts described in paragraphs (6) and
35 (7), labeled "amount financed."

36 (b) No particular terminology is required to disclose the items
37 set forth in subdivision (a) except as expressly provided in that
38 subdivision.

1 (c) If payment of all or a portion of the downpayment is to be
2 deferred, the deferred payment shall be reflected in the payment
3 schedule disclosed pursuant to Regulation Z.

4 (d) If the downpayment includes property being traded in, the
5 contract shall contain a brief description of that property.

6 (e) The contract shall contain the names and addresses of all
7 persons to whom the notice required pursuant to Section 2983.2
8 and permitted pursuant to Sections 2983.5 and 2984 is to be sent.

9 (f) (1) If the contract includes a finance charge determined on
10 the precomputed basis, the contract shall identify the method of
11 computing the unearned portion of the finance charge in the event
12 of prepayment in full of the buyer's obligation and contain a
13 statement of the amount or method of computation of any charge
14 that may be deducted from the amount of any unearned finance
15 charge in computing the amount that will be credited to the
16 obligation or refunded to the buyer. The method of computing the
17 unearned portion of the finance charge shall be sufficiently
18 identified with a reference to the actuarial method if the
19 computation will be under that method. The method of computing
20 the unearned portion of the finance charge shall be sufficiently
21 identified with a reference to the Rule of 78's, the sum of the digits,
22 or the sum of the periodic time balances method in all other cases,
23 and those references shall be deemed to be equivalent for disclosure
24 purposes.

25 (2) If the contract includes a finance charge that is determined
26 on the simple-interest basis but provides for a minimum finance
27 charge in the event of prepayment in full, the contract shall contain
28 a statement of that fact and the amount of the minimum finance
29 charge or its method of calculation.

30 (g) (1) If the contract includes a finance charge that is
31 determined on the precomputed basis and provides that the
32 unearned portion of the finance charge to be refunded upon full
33 prepayment of the contract is to be determined by a method other
34 than actuarial, the contract shall contain a notice, in at least
35 10-point boldface type if the contract is printed, reading as
36 follows: "Notice to buyer: (1) Do not sign this agreement before
37 you read it or if it contains any blank spaces to be filled in. (2)
38 You are entitled to a completely filled-in copy of this agreement.

39 (3) You can prepay the full amount due under this agreement at
40 any time and obtain a partial refund of the finance charge if it is

1 \$1 or more. Because of the way the amount of this refund will be
2 figured, the time when you prepay could increase the ultimate cost
3 of credit under this agreement. (4) If you default in the performance
4 of your obligations under this agreement, the vehicle may be
5 repossessed and you may be subject to suit and liability for the
6 unpaid indebtedness evidenced by this agreement.”

7 (2) If the contract includes a finance charge that is determined
8 on the precomputed basis and provides for the actuarial method
9 for computing the unearned portion of the finance charge upon
10 prepayment in full, the contract shall contain a notice, in at least
11 10-point boldface type if the contract is printed, reading as
12 follows: “Notice to buyer: (1) Do not sign this agreement before
13 you read it or if it contains any blank spaces to be filled in. (2)
14 You are entitled to a completely filled-in copy of this agreement.
15 (3) You can prepay the full amount due under this agreement at
16 any time and obtain a partial refund of the finance charge if it is
17 \$1 or more. (4) If you default in the performance of your
18 obligations under this agreement, the vehicle may be repossessed
19 and you may be subject to suit and liability for the unpaid
20 indebtedness evidenced by this agreement.”

21 (3) If the contract includes a finance charge that is determined
22 on the simple-interest basis, the contract shall contain a notice, in
23 at least 10-point boldface type if the contract is printed, reading
24 as follows: “Notice to buyer: (1) Do not sign this agreement
25 before you read it or if it contains any blank spaces to be filled in.
26 (2) You are entitled to a completely filled-in copy of this
27 agreement. (3) You can prepay the full amount due under this
28 agreement at any time. (4) If you default in the performance of
29 your obligations under this agreement, the vehicle may be
30 repossessed and you may be subject to suit and liability for the
31 unpaid indebtedness evidenced by this agreement.”

32 (h) The contract shall contain a notice in at least 8-point boldface
33 type, acknowledged by the buyer, that reads as follows:

34 “If you have a complaint concerning this sale, you should try to
35 resolve it with the seller.

36 Complaints concerning unfair or deceptive practices or methods
37 by the seller may be referred to the city attorney, the district
38 attorney, or an investigator for the Department of Motor Vehicles,
39 or any combination thereof.

1 After this contract is signed, the seller may not change the
2 financing or payment terms unless you agree in writing to the
3 change. You do not have to agree to any change, and it is an unfair
4 or deceptive practice for the seller to make a unilateral change.

5
6 _____

7
8 Buyer's Signature"
9

10 (i) (1) The contract shall contain an itemization of any insurance
11 included as part of the amount financed disclosed pursuant to
12 paragraph (3) of subdivision (a) and of any insurance included as
13 part of the finance charge. The itemization shall identify the type
14 of insurance coverage and the premium charged therefor, and, if
15 the insurance expires before the date of the last scheduled
16 installment included in the repayment schedule, the term of the
17 insurance shall be stated.

18 (2) If any charge for insurance, other than for credit life or
19 disability, is included in the contract balance and disbursement of
20 any part thereof is to be made more than one year after the date of
21 the conditional sale contract, any finance charge on the amount to
22 be disbursed after one year shall be computed from the month the
23 disbursement is to be made to the due date of the last installment
24 under the conditional sale contract.

25 (j) (1) Except for contracts in which the finance charge or a
26 portion of the finance charge is determined by the simple-interest
27 basis and the amount financed disclosed pursuant to paragraph (8)
28 of subdivision (a) is more than two thousand five hundred dollars
29 (\$2,500), the dollar amount of the disclosed finance charge may
30 not exceed the greater of:

31 (A) (i) One and one-half percent on so much of the unpaid
32 balance as does not exceed two hundred twenty-five dollars (\$225),
33 1 1/6 percent on so much of the unpaid balance in excess of two
34 hundred twenty-five dollars (\$225) as does not exceed nine hundred
35 dollars (\$900) and five-sixths of 1 percent on so much of the unpaid
36 balance in excess of nine hundred dollars (\$900) as does not exceed
37 two thousand five hundred dollars (\$2,500).

38 (ii) One percent of the entire unpaid balance; multiplied in either
39 case by the number of months (computed on the basis of a full
40 month for any fractional month period in excess of 15 days)

1 elapsing between the date of the contract and the due date of the
2 last installment.

3 (B) If the finance charge is determined by the precomputed
4 basis, twenty-five dollars (\$25).

5 (C) If the finance charge or a portion thereof is determined by
6 the simple-interest basis:

7 (i) Twenty-five dollars (\$25) if the unpaid balance does not
8 exceed one thousand dollars (\$1,000).

9 (ii) Fifty dollars (\$50) if the unpaid balance exceeds one
10 thousand dollars (\$1,000) but does not exceed two thousand dollars
11 (\$2,000).

12 (iii) Seventy-five dollars (\$75) if the unpaid balance exceeds
13 two thousand dollars (\$2,000).

14 (2) The holder of the contract shall not charge, collect, or receive
15 a finance charge that exceeds the disclosed finance charge, except
16 to the extent (A) caused by the holder's receipt of one or more
17 payments under a contract that provides for determination of the
18 finance charge or a portion thereof on the 365-day basis at a time
19 or times other than as originally scheduled whether or not the
20 parties enter into an agreement pursuant to Section 2982.3, (B)
21 permitted by paragraph (2), (3), or (4) of subdivision (c) of Section
22 226.17 of Regulation Z, or (C) permitted by subdivisions (a) and
23 (c) of Section 2982.8.

24 (3) If the finance charge or a portion thereof is determined by
25 the simple-interest basis and the amount of the unpaid balance
26 exceeds five thousand dollars (\$5,000), the holder of the contract
27 may, in lieu of its right to a minimum finance charge under
28 subparagraph (C) of paragraph (1), charge, receive, or collect on
29 the date of the contract an administrative finance charge not to
30 exceed seventy-five dollars (\$75), provided that the sum of the
31 administrative finance charge and the portion of the finance charge
32 determined by the simple-interest basis shall not exceed the
33 maximum total finance charge permitted by subparagraph (A) of
34 paragraph (1). Any administrative finance charge that is charged,
35 received, or collected by a holder shall be deemed a finance charge
36 earned on the date of the contract.

37 (4) If a contract provides for unequal or irregular payments, or
38 payments on other than a monthly basis, the maximum finance
39 charge shall be at the effective rate provided for in paragraph (1),
40 having due regard for the schedule of installments.

1 (k) The contract may provide that for each installment in default
2 for a period of not less than 10 days the buyer shall pay a
3 delinquency charge in an amount not to exceed in the aggregate 5
4 percent of the delinquent installment, which amount may be
5 collected only once on any installment regardless of the period
6 during which it remains in default. Payments timely received by
7 the seller under an extension or deferral agreement may not be
8 subject to a delinquency charge unless the charge is permitted by
9 Section 2982.3. The contract may provide for reasonable collection
10 costs and fees in the event of delinquency.

11 (l) Notwithstanding any provision of a contract to the contrary,
12 the buyer may pay at any time before maturity the entire
13 indebtedness evidenced by the contract without penalty. In the
14 event of prepayment in full:

15 (1) If the finance charge was determined on the precomputed
16 basis, the amount required to prepay the contract shall be the
17 outstanding contract balance as of that date, provided, however,
18 that the buyer shall be entitled to a refund credit in the amount of
19 the unearned portion of the finance charge, except as provided in
20 paragraphs (3) and (4). The amount of the unearned portion of the
21 finance charge shall be at least as great a proportion of the finance
22 charge, including any additional finance charge imposed pursuant
23 to Section 2982.8 or other additional charge imposed because the
24 contract has been extended, deferred, or refinanced, as the sum of
25 the periodic monthly time balances payable more than 15 days
26 after the date of prepayment bears to the sum of all the periodic
27 monthly time balances under the schedule of installments in the
28 contract or, if the contract has been extended, deferred, or
29 refinanced, as so extended, deferred, or refinanced. If the amount
30 of the refund credit is less than one dollar (\$1), no refund credit
31 need be made by the holder. Any refund credit may be made in
32 cash or credited to the outstanding obligations of the buyer under
33 the contract.

34 (2) If the finance charge or a portion of the finance charge was
35 determined on the simple-interest basis, the amount required to
36 prepay the contract shall be the outstanding contract balance as of
37 that date, including any earned finance charges that are unpaid as
38 of that date and, if applicable, the amount provided in paragraph
39 (3), and provided further that in cases where a finance charge is
40 determined on the 360-day basis, the payments received under the

1 contract shall be assumed to have been received on their respective
2 due dates regardless of the actual dates on which the payments
3 were received.

4 (3) If the minimum finance charge provided by subparagraph
5 (B) or subparagraph (C) of paragraph (1) of subdivision (j), if
6 either is applicable, is greater than the earned finance charge as of
7 the date of prepayment, the holder shall be additionally entitled to
8 the difference.

9 (4) This subdivision shall not impair the right of the seller or
10 the seller's assignee to receive delinquency charges on delinquent
11 installments and reasonable costs and fees as provided in
12 subdivision (k) or extension or deferral agreement charges as
13 provided in Section 2982.3.

14 (5) Notwithstanding any provision of a contract to the contrary,
15 if the indebtedness created by any contract is satisfied prior to its
16 maturity through surrender of the motor vehicle, repossession of
17 the motor vehicle, redemption of the motor vehicle after
18 repossession, or any judgment, the outstanding obligation of the
19 buyer shall be determined as provided in paragraph (1) or (2).
20 Notwithstanding, the buyer's outstanding obligation shall be
21 computed by the holder as of the date the holder recovers the value
22 of the motor vehicle through disposition thereof or judgment is
23 entered or, if the holder elects to keep the motor vehicle in
24 satisfaction of the buyer's indebtedness, as of the date the holder
25 takes possession of the motor vehicle.

26 *(m) The contract shall not require the buyer to make payments*
27 *to the seller in person. For purposes of this subdivision,*
28 *"payments" does not include the downpayment.*

29 ~~(m)~~

30 *(n) Notwithstanding any other provision of this chapter to the*
31 *contrary, any information required to be disclosed in a conditional*
32 *sale contract under this chapter may be disclosed in any manner,*
33 *method, or terminology required or permitted under Regulation*
34 *Z, as in effect at the time that disclosure is made, except that*
35 *permitted by paragraph (2) of subdivision (c) of Section 226.18*
36 *of Regulation Z, if all of the requirements and limitations set forth*
37 *in subdivision (a) are satisfied. This chapter does not prohibit the*
38 *disclosure in that contract of additional information required or*
39 *permitted under Regulation Z, as in effect at the time that disclosure*
40 *is made.*

1 ~~(n)~~
 2 (o) If the seller imposes a charge for document processing or
 3 to electronically register or transfer the vehicle, the contract shall
 4 contain a disclosure that the charge is not a governmental fee.

5 ~~(o)~~
 6 (p) A seller shall not impose an application fee for a transaction
 7 governed by this chapter.

8 ~~(p)~~
 9 (q) The seller or holder may charge and collect a fee not to
 10 exceed fifteen dollars (\$15) for the return by a depository institution
 11 of a dishonored check, negotiated order of withdrawal, or share
 12 draft issued in connection with the contract if the contract so
 13 provides or if the contract contains a generalized statement that
 14 the buyer may be liable for collection costs incurred in connection
 15 with the contract.

16 ~~(q)~~
 17 (r) The contract shall disclose on its face, by printing the word
 18 “new” or “used” within a box outlined in red, that is not smaller
 19 than one-half inch high and one-half inch wide, whether the vehicle
 20 is sold as a new vehicle, as defined in Section 430 of the Vehicle
 21 Code, or as a used vehicle, as defined in Section 665 of the Vehicle
 22 Code.

23 ~~(r)~~
 24 (s) The contract shall contain a notice with a heading in at least
 25 12-point bold type and the text in at least 10-point bold type,
 26 circumscribed by a line, immediately above the contract signature
 27 line, that reads as follows:

28
 29 THERE IS NO COOLING-OFF PERIOD UNLESS YOU
 30 OBTAIN A CONTRACT CANCELLATION OPTION.

31
 32 California law does not provide for a “cooling-off” or other cancellation
 33 period for vehicle sales. Therefore, you cannot later cancel this contract
 34 simply because you change your mind, decide the vehicle costs too much,
 35 or wish you had acquired a different vehicle. After you sign below, you
 36 may only cancel this contract with the agreement of the seller or for legal
 37 cause, such as fraud.

38 However, California law does require a seller to offer a 2-day contract
 39 cancellation option on used vehicles with a purchase price of less than
 40 \$40,000, subject to certain statutory conditions. This contract cancellation

1 option requirement does not apply to the sale of a recreational vehicle, a
2 motorcycle, or an off-highway motor vehicle subject to identification
3 under California law. See the vehicle contract cancellation option
4 agreement for details.

5
6

7 ~~(s)~~

8 *(t)* This section shall become operative on July 1, 2012.

9 SEC. 4. Section 2983.35 is added to the Civil Code, to read:

10 2983.35. (a) After a sale of a vehicle under this chapter, a
11 seller shall not do any of the following:

- 12 (1) Call the buyer’s references.
- 13 (2) Track the vehicle with Global Positioning System
14 technology.
- 15 (3) Disable the vehicle by using ignition override technology.

16 (b) A violation of this section is punishable pursuant to Section
17 2983.6.

18 SEC. 5. No reimbursement is required by this act pursuant to
19 Section 6 of Article XIII B of the California Constitution because
20 the only costs that may be incurred by a local agency or school
21 district will be incurred because this act creates a new crime or
22 infraction, eliminates a crime or infraction, or changes the penalty
23 for a crime or infraction, within the meaning of Section 17556 of
24 the Government Code, or changes the definition of a crime within
25 the meaning of Section 6 of Article XIII B of the California
26 Constitution.