

ASSEMBLY BILL

No. 1215

Introduced by Assembly Member Blumenfield

February 18, 2011

An act to amend, repeal, and add Sections 2982 and 2985.8 of the Civil Code, and to amend, repeal, and add Sections 4456, 5202, 11713.1, and 11713.21 of, and to add Sections 4456.4 and 4456.5 to, the Vehicle Code, relating to vehicles.

LEGISLATIVE COUNSEL'S DIGEST

AB 1215, as introduced, Blumenfield. Vehicles: electronic processing of documents: titling and registration.

(1) Existing law imposes specified licensing and regulatory requirements on dealers of motor vehicles and requires that specified fees and charges be disclosed in a conditional sales contract for the purchase of a motor vehicle. Existing law also prohibits any person from driving, moving, or leaving upon a highway any motor vehicle subject to registration under the Vehicle Code, unless it is registered and the appropriate fees have been paid under that code and authorizes the Department of Motor Vehicles to establish contracts for electronic programs that allow qualified industry partners to join the department in providing services that include processing and payment programs for vehicle registration and titling transactions.

Existing law makes it a violation of the Vehicle Code for the holder of any vehicle dealer's license to commit specified actions, including, to advertise the total price of a vehicle without including all costs to the purchaser at the time of sale, except taxes, vehicle registration fees, the California tire fee, as defined, emission testing fees not exceeding \$50, actual fees charged for certificates, finance charges, and any dealer

document preparation charge, and prohibits the dealer document preparation charge from exceeding \$55.

This bill would, beginning July 1, 2012, revise and recast these provisions and would require a new motor vehicle dealer to use electronic programs provided by the dealer's first-line service provider to register any vehicle sold or leased and to disclose any document processing charge or electronic registration or transfer charge, and would establish the amounts of those charges that may be charged to the purchaser or lessee of a vehicle.

The bill would, after October 1, 2012, make it a violation of the Vehicle Code for the holder of a dealer's license to sell or lease a new motor vehicle unless the dealer has a contractual agreement with the department to be a private industry partner, except as specified. The bill would make other conforming changes to these provisions.

Because this bill would create a new crime, the bill would impose a state-mandated local program.

(2) 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 2982 of the Civil Code is amended to
2 read:
3 2982. A conditional sale contract subject to this chapter shall
4 contain the disclosures required by Regulation Z, whether or not
5 Regulation Z applies to the transaction. In addition, to the extent
6 applicable, the contract shall contain the other disclosures and
7 notices required by, and shall satisfy the requirements and
8 limitations of, this section. The disclosures required by subdivision
9 (a) may be itemized or subtotaled to a greater extent than as
10 required by that subdivision and shall be made together and in the
11 sequence set forth in that subdivision. All other disclosures and
12 notices may appear in the contract in any location or sequence and
13 may be combined or interspersed with other provisions of the
14 contract.

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

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

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

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

(D) A charge for a theft deterrent device.

(E) A charge for a surface protection product.

(F) Taxes imposed on the sale.

(G) The amount of any optional business partnership automation fee to register or transfer the vehicle, which shall be labeled “Optional DMV Electronic Filing Fee.”

(H) The amount charged for a service contract.

(I) The prior credit or lease balance remaining on property being traded in, as required by paragraph (6). The disclosure required by this subparagraph shall be labeled “prior credit or lease balance (see downpayment and trade-in calculation).”

(J) Any charge for an optional debt cancellation agreement.

(K) Any charge for a used vehicle contract cancellation option agreement.

(L) The total cash price, which is the sum of subparagraphs (A) to (K), inclusive.

(M) The disclosures described in subparagraphs (D), (E), and (K) are not required on contracts involving the sale of a motorcycle, as defined in Section 400 of the Vehicle Code, or on contracts involving the sale of an off-highway motor vehicle that is subject to identification under Section 38010 of the Vehicle Code, and the amounts of those charges, if any, are not required to be reflected in the total price under subparagraph (L).

(2) Amounts paid to public officials for the following:

(A) Vehicle license fees.

(B) Registration, transfer, and titling fees.

1 (C) California tire fees imposed pursuant to Section 42885 of
2 the Public Resources Code.

3 (3) The aggregate amount of premiums agreed, upon execution
4 of the contract, to be paid for policies of insurance included in the
5 contract, excluding the amount of any insurance premium included
6 in the finance charge.

7 (4) The amount of the state fee for issuance of a certificate of
8 compliance, noncompliance, exemption, or waiver pursuant to any
9 applicable pollution control statute.

10 (5) A subtotal representing the sum of the ~~foregoing items~~
11 *amounts described in paragraphs (1) to (4), inclusive.*

12 (6) The amount of the buyer's downpayment itemized to show
13 the following:

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

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

17 (C) The net agreed value of the property being traded in, which
18 is the difference between the amounts disclosed in subparagraphs
19 (A) and (B). If the prior credit or lease balance of the property
20 being traded in exceeds the agreed value of the property, a negative
21 number shall be stated.

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

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

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

30 (G) The total downpayment. If the sum of subparagraphs (C)
31 to (F), inclusive, is zero or more, that sum shall be stated as the
32 total downpayment and no amount shall be stated as the prior credit
33 or lease balance under subparagraph (I) of paragraph (1). If the
34 sum of subparagraphs (C) to (F), inclusive, is less than zero, then
35 that sum, expressed as a positive number, shall be stated as the
36 prior credit or lease balance under subparagraph (I) of paragraph
37 (1), and zero shall be stated as the total downpayment. The
38 disclosure required by this subparagraph shall be labeled "total
39 downpayment" and shall contain a descriptor indicating that if the
40 total downpayment is a negative number, a zero shall be disclosed

1 as the total downpayment and a reference made that the remainder
2 shall be included in the disclosure required pursuant to
3 subparagraph (I) of paragraph (1).

4 (7) The amount of any administrative finance charge, labeled
5 “prepaid finance charge.”

6 (8) The difference between—~~item~~ *the amount described in*
7 *paragraph (5)* and the sum of—~~items~~ *the amounts described in*
8 *paragraphs (6) and (7)*, labeled “amount financed.”

9 (b) No particular terminology is required to disclose the items
10 set forth in subdivision (a) except as expressly provided in that
11 subdivision.

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

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

17 (e) The contract shall contain the names and addresses of all
18 persons to whom the notice required—~~under~~ *pursuant to* Section
19 2983.2 and permitted—~~under~~ *pursuant to* Sections 2983.5 and 2984
20 is to be sent.

21 (f) (1) If the contract includes a finance charge determined on
22 the precomputed basis, the contract shall identify the method of
23 computing the unearned portion of the finance charge in the event
24 of prepayment in full of the buyer’s obligation and contain a
25 statement of the amount or method of computation of any charge
26 that may be deducted from the amount of any unearned finance
27 charge in computing the amount that will be credited to the
28 obligation or refunded to the buyer. The method of computing the
29 unearned portion of the finance charge shall be sufficiently
30 identified with a reference to the actuarial method if the
31 computation will be under that method. The method of computing
32 the unearned portion of the finance charge shall be sufficiently
33 identified with a reference to the Rule of 78’s, the sum of the digits,
34 or the sum of the periodic time balances method in all other cases,
35 and those references shall be deemed to be equivalent for disclosure
36 purposes.

37 (2) If the contract includes a finance charge that is determined
38 on the simple-interest basis but provides for a minimum finance
39 charge in the event of prepayment in full, the contract shall contain

1 a statement of that fact and the amount of the minimum finance
2 charge or its method of calculation.

3 (g) (1) If the contract includes a finance charge that is
4 determined on the precomputed basis and provides that the
5 unearned portion of the finance charge to be refunded upon full
6 prepayment of the contract is to be determined by a method other
7 than actuarial, 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. Because of the way the amount of this refund will be
15 figured, the time when you prepay could increase the ultimate cost
16 of credit under this agreement. (4) If you default in the performance
17 of your obligations under this agreement, the vehicle may be
18 repossessed and you may be subject to suit and liability for the
19 unpaid indebtedness evidenced by this agreement.”

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

34 (3) If the contract includes a finance charge that is determined
35 on the simple-interest basis, the contract shall contain a notice, in
36 at least 10-point boldface type if the contract is printed, reading
37 as follows: “Notice to buyer: (1) Do not sign this agreement
38 before you read it or if it contains any blank spaces to be filled in.
39 (2) You are entitled to a completely filled-in copy of this
40 agreement. (3) You can prepay the full amount due under this

1 agreement at any time. (4) If you default in the performance of
2 your obligations under this agreement, the vehicle may be
3 repossessed and you may be subject to suit and liability for the
4 unpaid indebtedness evidenced by this agreement.”

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

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

9 Complaints concerning unfair or deceptive practices or methods
10 by the seller may be referred to the city attorney, the district
11 attorney, or an investigator for the Department of Motor Vehicles,
12 or any combination thereof.

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

17
18 _____
19
20 Buyer’s Signature”
21

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

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

37 (j) (1) Except for contracts in which the finance charge or a
38 portion ~~thereof~~ *of the finance charge* is determined by the
39 simple-interest basis and the amount financed disclosed pursuant
40 to paragraph (8) of subdivision (a) is more than two thousand five

1 hundred dollars (\$2,500), the dollar amount of the disclosed finance
2 charge may not exceed the greater of:

3 (A) (i) One and one-half percent on so much of the unpaid
4 balance as does not exceed two hundred twenty-five dollars (\$225),
5 1 $\frac{1}{6}$ percent on so much of the unpaid balance in excess of two
6 hundred twenty-five dollars (\$225) as does not exceed nine hundred
7 dollars (\$900) and five-sixths of 1 percent on so much of the unpaid
8 balance in excess of nine hundred dollars (\$900) as does not exceed
9 two thousand five hundred dollars (\$2,500).

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

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

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

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

21 (ii) Fifty dollars (\$50) if the unpaid balance exceeds one
22 thousand dollars (\$1,000) but does not exceed two thousand dollars
23 (\$2,000).

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

26 (2) The holder of the contract ~~may~~ *shall* not charge, collect, or
27 receive a finance charge that exceeds the disclosed finance charge,
28 except to the extent (A) caused by the holder's receipt of one or
29 more payments under a contract that provides for determination
30 of the finance charge or a portion thereof on the 365-day basis at
31 a time or times other than as originally scheduled whether or not
32 the parties enter into an agreement pursuant to Section 2982.3, (B)
33 permitted by paragraph (2), (3), or (4) of subdivision (c) of Section
34 226.17 of Regulation Z, or (C) permitted by subdivisions (a) and
35 (c) of Section 2982.8.

36 (3) If the finance charge or a portion thereof is determined by
37 the simple-interest basis and the amount of the unpaid balance
38 exceeds five thousand dollars (\$5,000), the holder of the contract
39 may, in lieu of its right to a minimum finance charge under
40 subparagraph (C) of paragraph (1), charge, receive, or collect on

1 the date of the contract an administrative finance charge not to
2 exceed seventy-five dollars (\$75), provided that the sum of the
3 administrative finance charge and the portion of the finance charge
4 determined by the simple-interest basis shall not exceed the
5 maximum total finance charge permitted by subparagraph (A) of
6 paragraph (1). Any administrative finance charge that is charged,
7 received, or collected by a holder shall be deemed a finance charge
8 earned on the date of the contract.

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

13 (k) The contract may provide that for each installment in default
14 for a period of not less than 10 days the buyer shall pay a
15 delinquency charge in an amount not to exceed in the aggregate 5
16 percent of the delinquent installment, which amount may be
17 collected only once on any installment regardless of the period
18 during which it remains in default. Payments timely received by
19 the seller under an extension or deferral agreement may not be
20 subject to a delinquency charge unless the charge is permitted by
21 Section 2982.3. The contract may provide for reasonable collection
22 costs and fees in the event of delinquency.

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

27 (1) If the finance charge was determined on the precomputed
28 basis, the amount required to prepay the contract shall be the
29 outstanding contract balance as of that date, provided, however,
30 that the buyer shall be entitled to a refund credit in the amount of
31 the unearned portion of the finance charge, except as provided in
32 paragraphs (3) and (4). The amount of the unearned portion of the
33 finance charge shall be at least as great a proportion of the finance
34 charge, including any additional finance charge imposed pursuant
35 to Section 2982.8 or other additional charge imposed because the
36 contract has been extended, deferred, or refinanced, as the sum of
37 the periodic monthly time balances payable more than 15 days
38 after the date of prepayment bears to the sum of all the periodic
39 monthly time balances under the schedule of installments in the
40 contract or, if the contract has been extended, deferred, or

1 refinanced, as so extended, deferred, or refinanced. If the amount
2 of the refund credit is less than one dollar (\$1), no refund credit
3 need be made by the holder. Any refund credit may be made in
4 cash or credited to the outstanding obligations of the buyer under
5 the contract.

6 (2) If the finance charge or a portion ~~thereof~~ *of the finance*
7 *charge* was determined on the simple-interest basis, the amount
8 required to prepay the contract shall be the outstanding contract
9 balance as of that date, including any earned finance charges that
10 are unpaid as of that date and, if applicable, the amount provided
11 in paragraph (3), and provided further that in cases where a finance
12 charge is determined on the 360-day basis, the payments ~~therefore~~
13 ~~received will~~ *under the contract shall* be assumed to have been
14 received on their respective due dates regardless of the actual dates
15 on which the payments were received.

16 (3) ~~Where~~ *If* the minimum finance charge provided by
17 subparagraph (B) or subparagraph (C) of paragraph (1) of
18 subdivision (j), if either is applicable, is greater than the earned
19 finance charge as of the date of prepayment, the holder shall be
20 additionally entitled to the difference.

21 (4) ~~The provisions of this~~ *This subdivision may* shall not impair
22 the right of the seller or the seller's assignee to receive delinquency
23 charges on delinquent installments and reasonable costs and fees
24 as provided in subdivision (k) or extension or deferral agreement
25 charges as provided in Section 2982.3.

26 (5) Notwithstanding any provision of a contract to the contrary,
27 ~~whenever~~ *if* the indebtedness created by any contract is satisfied
28 prior to its maturity through surrender of the motor vehicle,
29 repossession of the motor vehicle, redemption of the motor vehicle
30 after repossession, or any judgment, the outstanding obligation of
31 the buyer shall be determined as provided in paragraph (1) or (2).
32 Notwithstanding, the buyer's outstanding obligation shall be
33 computed by the holder as of the date the holder recovers the value
34 of the motor vehicle through disposition thereof or judgment is
35 entered or, if the holder elects to keep the motor vehicle in
36 satisfaction of the buyer's indebtedness, as of the date the holder
37 takes possession of the motor vehicle.

38 (m) Notwithstanding any other provision of this chapter to the
39 contrary, any information required to be disclosed in a conditional
40 sale contract under this chapter may be disclosed in any manner,

1 method, or terminology required or permitted under Regulation
2 Z, as in effect at the time that disclosure is made, except that
3 permitted by paragraph (2) of subdivision (c) of Section 226.18
4 of Regulation Z, ~~provided that if~~ all of the requirements and
5 limitations set forth in subdivision (a) ~~of this section~~ are satisfied.
6 This chapter does not prohibit the disclosure in that contract of
7 additional information required or permitted under Regulation Z,
8 as in effect at the time that disclosure is made.

9 (n) If the seller imposes a fee for document preparation, the
10 contract shall contain a disclosure that the fee is not a governmental
11 fee.

12 (o) A seller ~~may~~ *shall* not impose an application fee for a
13 transaction governed by this chapter.

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

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

27 (r) The contract shall contain a notice with a heading in at least
28 12-point bold type and the text in at least 10-point bold type,
29 circumscribed by a line, immediately above the contract signature
30 line, that reads as follows:

31
32 **THERE IS NO COOLING-OFF PERIOD UNLESS YOU**
33 **OBTAIN A CONTRACT CANCELLATION OPTION.**
34

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

1 However, California law does require a seller to offer a 2-day contract
2 cancellation option on used vehicles with a purchase price of less than
3 \$40,000, subject to certain statutory conditions. This contract cancellation
4 option requirement does not apply to the sale of a recreational vehicle, a
5 motorcycle, or an off-highway motor vehicle subject to identification
6 under California law. See the vehicle contract cancellation option
7 agreement for details.

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

14 SEC. 2. Section 2982 is added to the Civil Code, to read:

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

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

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

1 (B) The charge to be retained by the seller for document
2 processing authorized pursuant to Section 4456.5 of the Vehicle
3 Code.

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

6 (D) A charge for a theft deterrent device.

7 (E) A charge for a surface protection product.

8 (F) Taxes imposed on the sale.

9 (G) The charge to electronically register or transfer the vehicle
10 authorized pursuant to Section 4456.5 of the Vehicle Code.

11 (H) The amount charged for a service contract.

12 (I) The prior credit or lease balance remaining on property being
13 traded in, as required by paragraph (6). The disclosure required
14 by this subparagraph shall be labeled “prior credit or lease balance
15 (see downpayment and trade-in calculation).”

16 (J) Any charge for an optional debt cancellation agreement.

17 (K) Any charge for a used vehicle contract cancellation option
18 agreement.

19 (L) The total cash price, which is the sum of subparagraphs (A)
20 to (K), inclusive.

21 (M) The disclosures described in subparagraphs (D), (E), and
22 (K) are not required on contracts involving the sale of a motorcycle,
23 as defined in Section 400 of the Vehicle Code, or on contracts
24 involving the sale of an off-highway motor vehicle that is subject
25 to identification under Section 38010 of the Vehicle Code, and the
26 amounts of those charges, if any, are not required to be reflected
27 in the total price under subparagraph (L).

28 (2) Amounts paid to public officials for the following:

29 (A) Vehicle license fees.

30 (B) Registration, transfer, and titling fees.

31 (C) California tire fees imposed pursuant to Section 42885 of
32 the Public Resources Code.

33 (3) The aggregate amount of premiums agreed, upon execution
34 of the contract, to be paid for policies of insurance included in the
35 contract, excluding the amount of any insurance premium included
36 in the finance charge.

37 (4) The amount of the state fee for issuance of a certificate of
38 compliance, noncompliance, exemption, or waiver pursuant to any
39 applicable pollution control statute.

(5) A subtotal representing the sum of the amounts described in paragraphs (1) to (4), inclusive.

(6) The amount of the buyer's downpayment itemized to show the following:

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

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

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

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

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

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

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

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

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

1 (b) No particular terminology is required to disclose the items
2 set forth in subdivision (a) except as expressly provided in that
3 subdivision.

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

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

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

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

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

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

1 You are entitled to a completely filled-in copy of this agreement.
2 (3) You can prepay the full amount due under this agreement at
3 any time and obtain a partial refund of the finance charge if it is
4 \$1 or more. Because of the way the amount of this refund will be
5 figured, the time when you prepay could increase the ultimate cost
6 of credit under this agreement. (4) If you default in the performance
7 of your obligations under this agreement, the vehicle may be
8 repossessed and you may be subject to suit and liability for the
9 unpaid indebtedness evidenced by this agreement.”

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

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

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

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

39 Complaints concerning unfair or deceptive practices or methods
40 by the seller may be referred to the city attorney, the district

1 attorney, or an investigator for the Department of Motor Vehicles,
2 or any combination thereof.

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

7
8 _____
9
10 Buyer's Signature"
11

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

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

27 (j) (1) Except for contracts in which the finance charge or a
28 portion of the finance charge is determined by the simple-interest
29 basis and the amount financed disclosed pursuant to paragraph (8)
30 of subdivision (a) is more than two thousand five hundred dollars
31 (\$2,500), the dollar amount of the disclosed finance charge may
32 not exceed the greater of:

33 (A) (i) One and one-half percent on so much of the unpaid
34 balance as does not exceed two hundred twenty-five dollars (\$225),
35 1 ½ percent on so much of the unpaid balance in excess of two
36 hundred twenty-five dollars (\$225) as does not exceed nine hundred
37 dollars (\$900) and five-sixths of 1 percent on so much of the unpaid
38 balance in excess of nine hundred dollars (\$900) as does not exceed
39 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).

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

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

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

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

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

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

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

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

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

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

38 (2) If the finance charge or a portion of the finance charge was
39 determined on the simple-interest basis, the amount required to
40 prepay the contract shall be the outstanding contract balance as of

1 that date, including any earned finance charges that are unpaid as
2 of that date and, if applicable, the amount provided in paragraph
3 (3), and provided further that in cases where a finance charge is
4 determined on the 360-day basis, the payments received under the
5 contract shall be assumed to have been received on their respective
6 due dates regardless of the actual dates on which the payments
7 were received.

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

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

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

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

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

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

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

19 (r) The contract shall contain a notice with a heading in at least
20 12-point bold type and the text in at least 10-point bold type,
21 circumscribed by a line, immediately above the contract signature
22 line, that reads as follows:

23
24 THERE IS NO COOLING-OFF PERIOD UNLESS YOU
25 OBTAIN A CONTRACT CANCELLATION OPTION.
26

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

33 However, California law does require a seller to offer a 2-day contract
34 cancellation option on used vehicles with a purchase price of less than
35 \$40,000, subject to certain statutory conditions. This contract cancellation
36 option requirement does not apply to the sale of a recreational vehicle, a
37 motorcycle, or an off-highway motor vehicle subject to identification
38 under California law. See the vehicle contract cancellation option
39 agreement for details.
40

1
2 (s) This section shall become operative on July 1, 2012.

3 SEC. 3. Section 2985.8 of the Civil Code is amended to read:

4 2985.8. (a) ~~Every~~ A lease contract shall be in writing and the
5 print portion of the contract shall be printed in at least 8-point type
6 and shall contain in a single document all of the agreements of the
7 lessor and lessee with respect to the obligations of each party.

8 (b) At the top of the lease contract, a title ~~which~~ *that* contains
9 the words “LEASE CONTRACT” or “LEASE AGREEMENT”
10 shall appear in at least 12-point boldface type.

11 (c) ~~Every~~ A lease contract shall disclose all of the following:

12 (1) All of the information prescribed by Regulation M set forth
13 in the manner required or permitted by Regulation M, whether or
14 not Regulation M applies to the transaction.

15 (2) A separate statement labeled “Itemization of Gross
16 Capitalized Cost” that shall appear immediately following or
17 directly adjacent to the disclosures required to be segregated by
18 Regulation M. The Itemization of Gross Capitalized Cost shall
19 include all of the following and shall be circumscribed by a line:

20 (A) The agreed-upon value of the vehicle as equipped at the
21 time of signing the lease.

22 (B) The agreed-upon value and a description of each accessory
23 and item of optional equipment the lessor agrees to add to the
24 vehicle after signing the lease.

25 (C) The premium for each policy of insurance.

26 (D) The amount charged for each service contract.

27 (E) Any charge for an optional debt cancellation agreement.

28 (F) Any outstanding prior credit or lease balance.

29 (G) An itemization by type and agreed-upon value of each good
30 or service included in the gross capitalized cost other than those
31 items included in the disclosures required in subparagraphs (A) to
32 (F), inclusive.

33 (3) The vehicle identification number of the leased vehicle.

34 (4) A brief description of each vehicle or other property being
35 traded in and the agreed-upon value ~~thereof of the vehicle or~~
36 *property* if the amount due at the time of signing the lease or upon
37 delivery is paid in whole or in part with a net trade-in allowance
38 or the “Itemization of Gross Capitalized Cost” includes any portion
39 of the outstanding prior credit or lease balance from the trade-in
40 property.

(5) The fee, if any, to be retained by the lessor for document preparation, which fee may not exceed forty-five dollars (\$45) and ~~may~~ shall not be represented as a governmental fee.

(6) The amount of any optional business partnership automation program fee to register or transfer the vehicle, which shall be labeled “Optional DMV Electronic Filing Fee.”

(d) ~~Every~~ A lease contract shall contain, in at least 8-point boldface type, above the space provided for the lessee’s signature and circumscribed by a line, the following notice: “(1) Do not sign this lease before you read it or if it contains any blank spaces to be filled in; (2) You are entitled to a completely filled in copy of this lease; (3) Warning—Unless a charge is included in this lease for public liability or property damage insurance, payment for that coverage is not provided by this lease.”

(e) ~~Every~~ A lease contract shall contain, in at least 8-point boldface type, on the first page of the contract and circumscribed by a line, the following notice:

“THERE IS NO COOLING OFF PERIOD

California law does not provide for a “cooling off” or other cancellation period for vehicle leases. Therefore, you cannot later cancel this lease simply because you change your mind, decided the vehicle costs too much, or wish you had acquired a different vehicle. You may cancel this lease only with the agreement of the lessor or for legal cause, such as fraud.”

(f) ~~Every~~ A lease contract shall contain, in at least 8-point boldface type, the following notice: “You have the right to return the vehicle, and receive a refund of any payments made if the credit application is not approved, unless nonapproval results from an incomplete application or from incorrect information provided by you.”

(g) The lease contract shall be signed by the lessor and lessee, or their authorized representatives, and an exact copy of the fully executed lease contract shall be provided to the lessee at the time of signing.

(h) ~~No~~ A motor vehicle shall *not* be delivered under a lease contract subject to this chapter until the lessor provides to the lessee a fully executed copy of the lease contract.

(i) The lessor ~~may~~ *shall* not obtain the signature of the lessee to a contract when it contains blank spaces to be filled in after it has been signed.

(j) If the lease contract contains a provision that holds the lessee liable for the difference between (1) the adjusted capitalized cost disclosed in the lease contract reduced by the amounts described in subparagraph (A) of paragraph (5) of subdivision (b) of Section 2987 and (2) the settlement proceeds of the lessee's required insurance and deductible in the event of theft or damage to the vehicle that results in a total loss, the lease contract shall contain the following notice in at least 8-point boldface type on the first page of the contract:

"GAP LIABILITY NOTICE

In the event of theft or damage to the vehicle that results in a total loss, there may be a GAP between the amount due upon early termination and the proceeds of your insurance settlement and deductible. THIS LEASE PROVIDES THAT YOU ARE LIABLE FOR THE GAP AMOUNT. Optional coverage for the GAP amount may be offered for an additional price."

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

SEC. 4. Section 2985.8 is added to the Civil Code, to read:

2985.8. (a) A lease contract shall be in writing, and the print portion of the contract shall be printed in at least 8-point type and shall contain in a single document all of the agreements of the lessor and lessee with respect to the obligations of each party.

(b) At the top of the lease contract, a title that contains the words "LEASE CONTRACT" or "LEASE AGREEMENT" shall appear in at least 12-point boldface type.

(c) A lease contract shall disclose all of the following:

(1) All of the information prescribed by Regulation M set forth in the manner required or permitted by Regulation M, whether or not Regulation M applies to the transaction.

(2) A separate statement labeled "Itemization of Gross Capitalized Cost" that shall appear immediately following or

1 directly adjacent to the disclosures required to be segregated by
2 Regulation M. The Itemization of Gross Capitalized Cost shall
3 include all of the following and shall be circumscribed by a line:

4 (A) The agreed-upon value of the vehicle as equipped at the
5 time of signing the lease.

6 (B) The agreed-upon value and a description of each accessory
7 and item of optional equipment the lessor agrees to add to the
8 vehicle after signing the lease.

9 (C) The premium for each policy of insurance.

10 (D) The amount charged for each service contract.

11 (E) Any charge for an optional debt cancellation agreement.

12 (F) Any outstanding prior credit or lease balance.

13 (G) An itemization by type and agreed-upon value of each good
14 or service included in the gross capitalized cost other than those
15 items included in the disclosures required in subparagraphs (A) to
16 (F), inclusive.

17 (3) The vehicle identification number of the leased vehicle.

18 (4) A brief description of each vehicle or other property being
19 traded in and the agreed-upon value of the vehicle or property if
20 the amount due at the time of signing the lease or upon delivery
21 is paid in whole or in part with a net trade-in allowance or the
22 “Itemization of Gross Capitalized Cost” includes any portion of
23 the outstanding prior credit or lease balance from the trade-in
24 property.

25 (5) The charge, if any, to be retained by the lessor for document
26 processing authorized pursuant to Section 4456.5 of the Vehicle
27 Code, which may not be represented as a governmental fee.

28 (6) The charge, if any, to electronically register or transfer the
29 vehicle authorized pursuant to Section 4456.5 of the Vehicle Code,
30 which shall not be represented as a governmental fee.

31 (d) A lease contract shall contain, in at least 8-point boldface
32 type, above the space provided for the lessee’s signature and
33 circumscribed by a line, the following notice: “(1) Do not sign this
34 lease before you read it or if it contains any blank spaces to be
35 filled in; (2) You are entitled to a completely filled in copy of this
36 lease; (3) Warning—Unless a charge is included in this lease for
37 public liability or property damage insurance, payment for that
38 coverage is not provided by this lease.”

1 (e) A lease contract shall contain, in at least 8-point boldface
2 type, on the first page of the contract and circumscribed by a line,
3 the following notice:

4
5 “THERE IS NO COOLING OFF PERIOD
6

7 California law does not provide for a “cooling off” or other
8 cancellation period for vehicle leases. Therefore, you cannot later
9 cancel this lease simply because you change your mind, decided
10 the vehicle costs too much, or wish you had acquired a different
11 vehicle. You may cancel this lease only with the agreement of the
12 lessor or for legal cause, such as fraud.”
13

14 (f) A lease contract shall contain, in at least 8-point boldface
15 type, the following notice: “You have the right to return the vehicle,
16 and receive a refund of any payments made if the credit application
17 is not approved, unless nonapproval results from an incomplete
18 application or from incorrect information provided by you.”

19 (g) The lease contract shall be signed by the lessor and lessee,
20 or their authorized representatives, and an exact copy of the fully
21 executed lease contract shall be provided to the lessee at the time
22 of signing.

23 (h) A motor vehicle shall not be delivered under a lease contract
24 subject to this chapter until the lessor provides to the lessee a fully
25 executed copy of the lease contract.

26 (i) The lessor shall not obtain the signature of the lessee to a
27 contract when it contains blank spaces to be filled in after it has
28 been signed.

29 (j) If the lease contract contains a provision that holds the lessee
30 liable for the difference between (1) the adjusted capitalized cost
31 disclosed in the lease contract reduced by the amounts described
32 in subparagraph (A) of paragraph (5) of subdivision (b) of Section
33 2987 and (2) the settlement proceeds of the lessee’s required
34 insurance and deductible in the event of theft or damage to the
35 vehicle that results in a total loss, the lease contract shall contain
36 the following notice in at least 8-point boldface type on the first
37 page of the contract:

“GAP LIABILITY NOTICE

In the event of theft or damage to the vehicle that results in a total loss, there may be a GAP between the amount due upon early termination and the proceeds of your insurance settlement and deductible. THIS LEASE PROVIDES THAT YOU ARE LIABLE FOR THE GAP AMOUNT. Optional coverage for the GAP amount may be offered for an additional price.”

(k) This section shall become operative on July 1, 2012.

SEC. 5. Section 4456 of the Vehicle Code is amended to read:

4456. (a) When selling a vehicle, dealers and lessor-retailers shall use numbered report-of-sale forms issued by the department. The forms shall be used in accordance with the following terms and conditions:

(1) The dealer or lessor-retailer shall attach for display a copy of the report of sale on the vehicle before the vehicle is delivered to the purchaser.

(2) The dealer or lessor-retailer shall submit to the department an application accompanied by all fees and penalties due for registration or transfer of registration of the vehicle within 30 days from the date of sale, as provided in subdivision (c) of Section 9553, if the vehicle is a used vehicle, and 20 days if the vehicle is a new vehicle. Penalties due for noncompliance with this paragraph shall be paid by the dealer or lessor-retailer. The dealer or lessor-retailer ~~may~~ shall not charge the purchaser for the penalties.

(3) As part of an application to transfer registration of a used vehicle, the dealer or lessor-retailer shall include all of the following information on the certificate of title, application for a duplicate certificate of title, or form prescribed by the department:

(A) Date of sale and report of sale number.

(B) Purchaser’s name and address.

(C) Dealer’s name, address, number, and signature or signature of authorized agent.

(D) Salesperson number.

(4) If the department returns an application and the application was first received by the department within 30 days of the date of sale of the vehicle if the vehicle is a used vehicle, and 20 days if the vehicle is a new vehicle, the dealer or lessor-retailer shall submit a corrected application to the department within 50 days

1 from the date of sale of the vehicle if the vehicle is a used vehicle,
2 and 40 days if the vehicle is a new vehicle, or within 30 days from
3 the date that the application is first returned by the department if
4 the vehicle is a used vehicle, and 20 days if the vehicle is a new
5 vehicle, whichever is later.

6 (5) If the department returns an application and the application
7 was first received by the department more than 30 days from the
8 date of sale of the vehicle if the vehicle is a used vehicle, and 20
9 days if the vehicle is a new vehicle, the dealer or lessor-retailer
10 shall submit a corrected application to the department within 50
11 days from the date of sale of the vehicle if the vehicle is a used
12 vehicle, and 40 days if the vehicle is a new vehicle.

13 (6) An application first received by the department more than
14 50 days from the date of sale of the vehicle if the vehicle is a used
15 vehicle, and 40 days if the vehicle is a new vehicle, is subject to
16 the penalties specified in subdivisions (a) and (b) of Section 4456.1.

17 (7) The dealer or lessor-retailer shall report the sale ~~under~~
18 *pursuant to* Section 5901.

19 (b) (1) A transfer that takes place through a dealer conducting
20 a wholesale vehicle auction shall be reported to the department by
21 that dealer on a single form approved by the department. The
22 completed form shall contain, at a minimum, all of the following
23 information:

24 (A) The name and address of the seller.

25 (B) The seller's dealer number, if applicable.

26 (C) The date of delivery to the dealer conducting the auction.

27 (D) The actual mileage of the vehicle as indicated by the
28 vehicle's odometer at the time of delivery to the dealer conducting
29 the auction.

30 (E) The name, address, and occupational license number of the
31 dealer conducting the auction.

32 (F) The name, address, and occupational license number of the
33 buyer.

34 (G) The signature of the dealer conducting the auction.

35 (2) Submission of the completed form specified in paragraph
36 (1) to the department shall fully satisfy the requirements of
37 subdivision (a) and subdivision (a) of Section 5901 with respect
38 to the dealer selling at auction and the dealer conducting the
39 auction.

1 (3) The single form required by this subdivision does not relieve
2 a dealer of any obligation or responsibility that is required by any
3 other provision of law.

4 (c) A vehicle displaying a copy of the report of sale may be
5 operated without license plates or registration card until either of
6 the following, whichever occurs first:

7 (1) The license plates and registration card are received by the
8 purchaser.

9 (2) A six-month period, commencing with the date of sale of
10 the vehicle, has expired.

11 *(d) This section shall become inoperative on July 1, 2012, and,*
12 *as of January 1, 2013, is repealed, unless a later enacted statute*
13 *that is enacted before January 1, 2013, deletes or extends the dates*
14 *on which it becomes inoperative and is repealed.*

15 SEC. 6. Section 4456 is added to the Vehicle Code, to read:

16 4456. (a) When selling a vehicle, dealers and lessor-retailers
17 shall use numbered report-of-sale forms issued by the department.
18 The forms shall be used in accordance with the following terms
19 and conditions:

20 (1) The dealer or lessor-retailer shall attach for display a copy
21 of the report of sale on the vehicle before the vehicle is delivered
22 to the purchaser.

23 (2) The dealer or lessor-retailer shall submit to the department
24 an application accompanied by all fees and penalties due for
25 registration or transfer of registration of the vehicle within 30 days
26 from the date of sale, as provided in subdivision (c) of Section
27 9553, if the vehicle is a used vehicle, and 20 days if the vehicle is
28 a new vehicle. Penalties due for noncompliance with this paragraph
29 shall be paid by the dealer or lessor-retailer. The dealer or
30 lessor-retailer shall not charge the purchaser for the penalties.

31 (3) As part of an application to transfer registration of a used
32 vehicle, the dealer or lessor-retailer shall include all of the
33 following information on the certificate of title, application for a
34 duplicate certificate of title, or form prescribed by the department:

35 (A) Date of sale and report of sale number.

36 (B) Purchaser's name and address.

37 (C) Dealer's name, address, number, and signature or signature
38 of authorized agent.

39 (D) Salesperson number.

(4) If the department returns an application and the application was first received by the department within 30 days of the date of sale of the vehicle if the vehicle is a used vehicle, and 20 days if the vehicle is a new vehicle, the dealer or lessor-retailer shall submit a corrected application to the department within 50 days from the date of sale of the vehicle if the vehicle is a used vehicle, and 40 days if the vehicle is a new vehicle, or within 30 days from the date that the application is first returned by the department if the vehicle is a used vehicle, and 20 days if the vehicle is a new vehicle, whichever is later.

(5) If the department returns an application and the application was first received by the department more than 30 days from the date of sale of the vehicle if the vehicle is a used vehicle, and 20 days if the vehicle is a new vehicle, the dealer or lessor-retailer shall submit a corrected application to the department within 50 days from the date of sale of the vehicle if the vehicle is a used vehicle, and 40 days if the vehicle is a new vehicle.

(6) An application first received by the department more than 50 days from the date of sale of the vehicle if the vehicle is a used vehicle, and 40 days if the vehicle is a new vehicle, is subject to the penalties specified in subdivisions (a) and (b) of Section 4456.1.

(7) The dealer or lessor-retailer shall report the sale pursuant to Section 5901.

(b) (1) A transfer that takes place through a dealer conducting a wholesale vehicle auction shall be reported to the department by that dealer on a single form approved by the department. The completed form shall contain, at a minimum, all of the following information:

(A) The name and address of the seller.

(B) The seller's dealer number, if applicable.

(C) The date of delivery to the dealer conducting the auction.

(D) The actual mileage of the vehicle as indicated by the vehicle's odometer at the time of delivery to the dealer conducting the auction.

(E) The name, address, and occupational license number of the dealer conducting the auction.

(F) The name, address, and occupational license number of the buyer.

(G) The signature of the dealer conducting the auction.

(2) Submission of the completed form specified in paragraph (1) to the department shall fully satisfy the requirements of subdivision (a) and subdivision (a) of Section 5901 with respect to the dealer selling at auction and the dealer conducting the auction.

(3) The single form required by this subdivision does not relieve a dealer of any obligation or responsibility that is required by any other provision of law.

(c) A vehicle displaying a copy of the report of sale may be operated without license plates or registration card until either of the following, whichever occurs first:

(1) The license plates and registration card are received by the purchaser.

(2) A 90-day period, commencing with the date of sale of the vehicle, has expired.

(d) This section shall become operative on July 1, 2012.

SEC. 7. Section 4456.4 is added to the Vehicle Code, to read:

4456.4. (a) A new motor vehicle dealer shall use electronic programs provided by the dealer's first-line service provider to register a vehicle sold or leased if the department permits the transaction to be processed electronically.

(b) This section does not apply to the sale or lease of a motorcycle or off-highway motor vehicle subject to identification under Section 38010 or a recreational vehicle as defined in Section 18010 of the Health and Safety Code.

(c) As used in this section, the terms "first-line service provider" and "second-line business partner" shall have the same meaning as defined in subdivision (b) of Section 1685.

(d) This section shall become operative on July 1, 2012.

SEC. 8. Section 4456.5 is added to the Vehicle Code, to read:

4456.5. (a) A dealer may charge the purchaser or lessee of a vehicle the following charges:

(1) A document processing charge for the preparation and processing of documents, disclosures, and titling, registration, and information security obligations imposed by state and federal law. The dealer document processing charge shall not be represented as a governmental fee.

(A) If a dealer has a contractual agreement with the department to be a private industry partner pursuant to Section 1685, the

1 document processing charge shall not exceed seventy-five dollars
2 (\$75).

3 (B) If a dealer does not have a contractual agreement with the
4 department to be a private industry partner pursuant to Section
5 1685, the document processing charge shall not exceed sixty-five
6 dollars (\$65).

7 (2) An electronic filing charge, not to exceed the actual amount
8 the dealer is charged by a first-line service provider for providing
9 license plate processing, postage, and the fees and services
10 authorized pursuant to subdivisions (a) and (d) of Section 1685.
11 The electronic filing charge shall not be represented as a
12 governmental fee.

13 (b) As used in this section, the term “first-line service provider”
14 shall have the same meaning as defined in subdivision (b) of
15 Section 1685.

16 (c) This section shall become operative on July 1, 2012.

17 SEC. 9. Section 5202 of the Vehicle Code is amended to read:

18 5202. ~~Every~~ (a) A license plate issued by this ~~State~~ state or
19 any other jurisdiction within or without the United States shall
20 remain attached during the period of its validity to the vehicle for
21 which it is issued while being operated within this ~~State~~ state or
22 during the time the vehicle is being held for sale in this ~~State~~ state,
23 or until ~~such~~ the time as that a vehicle with special or identification
24 plates is no longer entitled to ~~such~~ those plates; and ~~no~~ a person
25 shall *not* operate, nor shall an owner knowingly permit to be
26 operated, upon ~~any~~ a highway ~~any~~ a vehicle unless the license
27 plate is so attached. Special permits issued in lieu of plates shall
28 be attached and displayed on the vehicle for which issued during
29 the period of their validity.

30 (b) *This section shall become inoperative on July 1, 2012, and,*
31 *as of January 1, 2013, is repealed, unless a later enacted statute*
32 *that is enacted before January 1, 2013, deletes or extends the dates*
33 *on which it becomes inoperative and is repealed.*

34 SEC. 10. Section 5202 is added to the Vehicle Code, to read:

35 5202. (a) A license plate issued by this state or any other
36 jurisdiction within or without the United States shall be attached
37 upon receipt and remain attached during the period of its validity
38 to the vehicle for which it is issued while being operated within
39 this state or during the time the vehicle is being held for sale in
40 this state, or until the time that a vehicle with special or

1 identification plates is no longer entitled to those plates; and a
2 person shall not operate, and an owner shall not knowingly permit
3 to be operated, upon any highway, a vehicle unless the license
4 plate is so attached. A special permit issued in lieu of plates shall
5 be attached and displayed on the vehicle for which the permit was
6 issued during the period of the permit's validity.

7 (b) This section shall become operative on July 1, 2012.

8 SEC. 11. Section 11713.1 of the Vehicle Code is amended to
9 read:

10 11713.1. It is a violation of this code for the holder of a dealer's
11 license issued under this article to do any of the following:

12 (a) Advertise a specific vehicle for sale without identifying the
13 vehicle by its model, model-year, and either its license number or
14 that portion of the vehicle identification number that distinguishes
15 the vehicle from all other vehicles of the same make, model, and
16 model-year. Model-year is not required to be advertised for current
17 model-year vehicles. Year models are no longer current when
18 ensuing year models are available for purchase at retail in
19 California. ~~Any~~ An advertisement that offers for sale a class of
20 new vehicles in a dealer's inventory, consisting of five or more
21 vehicles, that are all of the same make, model, and model-year is
22 not required to include in the advertisement the vehicle
23 identification numbers or license numbers of those vehicles.

24 (b) Advertise the total price of a vehicle without including all
25 costs to the purchaser at time of sale, except taxes, vehicle
26 registration fees, the California tire fee, as defined in Section 42885
27 of the Public Resources Code, emission testing fees not exceeding
28 fifty dollars (\$50), actual fees charged for certificates pursuant to
29 Section 44060 of the Health and Safety Code, finance charges,
30 and any dealer document preparation charge. The dealer document
31 preparation charge shall not exceed fifty-five dollars (\$55).

32 (c) (1) Exclude from an advertisement of a vehicle for sale that
33 there will be added to the advertised total price at the time of sale,
34 charges for sales tax, vehicle registration fees, the California tire
35 fee, the fee charged by the state for the issuance of a certificate of
36 compliance or noncompliance pursuant to a statute, finance
37 charges, and a dealer document preparation charge.

38 (2) The obligations imposed by paragraph (1) are satisfied by
39 adding to the advertisement a statement containing no abbreviations
40 and that is worded in substantially the following form: "Plus

1 government fees and taxes, any finance charges, any dealer
2 document preparation charge, and any emission testing charge.”

3 (3) For purposes of paragraph (1), “advertisement” means an
4 advertisement in a newspaper, magazine, or direct mail publication
5 that is two or more columns in width or one column in width and
6 more than seven inches in length, or on a Web page of a dealer’s
7 Internet Web site that displays the price of a vehicle offered for
8 sale on the Internet, as that term is defined in paragraph (6) of
9 subdivision ~~(e)~~ (f) of Section 17538 of the Business and Professions
10 Code.

11 (d) Represent the dealer document preparation charge or
12 certificate of compliance or noncompliance fee, as a governmental
13 fee.

14 (e) Fail to sell a vehicle to a person at the advertised total price,
15 exclusive of taxes, vehicle registration fees, the California tire fee,
16 the fee charged by the state for the issuance of a certificate of
17 compliance or noncompliance pursuant to a statute, finance
18 charges, mobilehome escrow fees, the amount of a city, county,
19 or city and county imposed fee or tax for a mobilehome, and a
20 dealer document preparation charge, which charges shall not exceed
21 fifty-five dollars (\$55) for the document preparation charge and
22 not to exceed fifty dollars (\$50) for emission testing plus the actual
23 fees charged for certificates pursuant to Section 44060 of the Health
24 and Safety Code, while the vehicle remains unsold, unless the
25 advertisement states the advertised total price is good only for a
26 specified time and the time has elapsed. Advertised vehicles shall
27 be sold at or below the advertised total price, with statutorily
28 permitted exclusions, regardless of whether the purchaser has
29 knowledge of the advertised total price.

30 (f) (1) Advertise for sale, sell, or purchase for resale a new
31 vehicle of a line-make for which the dealer does not hold a
32 franchise.

33 (2) This subdivision does not apply to a transaction involving
34 the following:

35 (A) A mobilehome.

36 (B) A recreational vehicle as defined in Section 18010 of the
37 Health and Safety Code.

38 (C) A commercial coach, as defined in Section 18001.8 of the
39 Health and Safety Code.

1 (D) An off-highway motor vehicle subject to identification as
2 defined in Section 38012.

3 (E) A manufactured home.

4 (F) A new vehicle that will be substantially altered or modified
5 by a converter prior to resale.

6 (G) A commercial vehicle with a gross vehicle weight rating of
7 more than 10,000 pounds.

8 (H) A vehicle purchased for export and exported outside the
9 territorial limits of the United States without being registered with
10 the department.

11 (I) A vehicle acquired in the ordinary course of business as a
12 new vehicle by a dealer franchised to sell that vehicle, if all of the
13 following apply:

14 (i) The manufacturer or distributor of the vehicle files a
15 bankruptcy petition.

16 (ii) The franchise agreement of the dealer is terminated,
17 canceled, or rejected by the manufacturer or distributor as part of
18 the bankruptcy proceedings and the termination, cancellation, or
19 rejection is not a result of the revocation by the department of the
20 dealer's license or the dealer's conviction of a crime.

21 (iii) The vehicle is held in the inventory of the dealer on the
22 date the bankruptcy petition is filed.

23 (iv) The vehicle is sold by the dealer within six months of the
24 date the bankruptcy petition is filed.

25 (3) Subparagraph (I) of paragraph (2) does not entitle a dealer
26 whose franchise agreement has been terminated, canceled, or
27 rejected to continue to perform warranty service repairs or continue
28 to be eligible to offer or receive consumer or dealer incentives
29 offered by the manufacturer or distributor.

30 (g) Sell a park trailer, as specified in Section 18009.3 of the
31 Health and Safety Code, without disclosing in writing to the
32 purchaser that a park trailer is required to be moved by a transporter
33 or a licensed manufacturer or dealer under a permit issued by the
34 Department of Transportation or a local authority with respect to
35 highways under their respective jurisdictions.

36 (h) Advertise free merchandise, gifts, or services provided by
37 a dealer contingent on the purchase of a vehicle. "Free" includes
38 merchandise or services offered for sale at a price less than the
39 seller's cost of the merchandise or services.

(i) (1) Advertise vehicles, and related goods or services, at a specified dealer price, with the intent not to supply reasonably expectable demand, unless the advertisement discloses the number of vehicles in stock at the advertised price. In addition, whether or not there are sufficient vehicles in stock to supply a reasonably expectable demand, when phrases such as “starting at,” “from,” “beginning as low as,” or words of similar import are used in reference to an advertised price, the advertisement shall disclose the number of vehicles available at that advertised price.

(2) For purposes of this subdivision, in a newspaper advertisement for a vehicle that is two model-years old or newer, the actual phrase that states the number of vehicles in stock at the advertised price shall be printed in a type size that is at least equal to one-quarter of the type size, and in the same style and color of type, used for the advertised price. However, in no case shall the phrase be printed in less than 8-point type size, and the phrase shall be disclosed immediately above, below, or beside the advertised price without intervening words, pictures, marks, or symbols.

(3) The disclosure required by this subdivision is in addition to any other disclosure required by this code or any regulation regarding identifying vehicles advertised for sale.

(j) Use “rebate” or similar words, including, but not limited to, “cash back,” in advertising the sale of a vehicle unless the rebate is expressed in a specific dollar amount and is in fact a rebate offered by the vehicle manufacturer or distributor directly to the retail purchaser of the vehicle or to the assignee of the retail purchaser.

(k) Require a person to pay a higher price for a vehicle and related goods or services for receiving advertised credit terms than the cash price the same person would have to pay to purchase the same vehicle and related goods or services. For the purpose of this subdivision, “cash price” has the meaning as defined in subdivision (e) of Section 2981 of the Civil Code.

(l) Advertise a guaranteed trade-in allowance.

(m) Misrepresent the authority of a salesperson, representative, or agent to negotiate the final terms of a transaction.

(n) (1) Use “invoice,” “dealer’s invoice,” “wholesale price,” or similar terms that refer to a dealer’s cost for a vehicle in an

1 advertisement for the sale of a vehicle or advertise that the selling
2 price of a vehicle is above, below, or at either of the following:

3 (A) The manufacturer's or distributor's invoice price to a dealer.

4 (B) A dealer's cost.

5 (2) This subdivision does not apply to either of the following:

6 (A) A communication occurring during face-to-face negotiations
7 for the purchase of a specific vehicle if the prospective purchaser
8 initiates a discussion of the vehicle's invoice price or the dealer's
9 cost for that vehicle.

10 (B) A communication between a dealer and a prospective
11 commercial purchaser that is not disseminated to the general public.
12 For purposes of this subparagraph, a "commercial purchaser"
13 means a dealer, lessor, lessor-retailer, manufacturer,
14 remanufacturer, distributor, financial institution, governmental
15 entity, or person who purchases 10 or more vehicles during a year.

16 (o) Violate a law prohibiting bait and switch advertising,
17 including, but not limited to, the guides against bait advertising
18 set forth in Part 238 (commencing with Section 238) of Title 16
19 of the Code of Federal Regulations, as those regulations read on
20 January 1, 1988.

21 (p) Make an untrue or misleading statement indicating that a
22 vehicle is equipped with all the factory-installed optional equipment
23 the manufacturer offers, including, but not limited to, a false
24 statement that a vehicle is "fully factory equipped."

25 (q) Affix on a new vehicle a supplemental price sticker
26 containing a price that represents the dealer's asking price that
27 exceeds the manufacturer's suggested retail price unless all of the
28 following occur:

29 (1) The supplemental sticker clearly and conspicuously discloses
30 in the largest print appearing on the sticker, other than the print
31 size used for the dealer's name, that the supplemental sticker price
32 is the dealer's asking price, or words of similar import, and that it
33 is not the manufacturer's suggested retail price.

34 (2) The supplemental sticker clearly and conspicuously discloses
35 the manufacturer's suggested retail price.

36 (3) The supplemental sticker lists each item that is not included
37 in the manufacturer's suggested retail price, and discloses the
38 additional price of each item. If the supplemental sticker price is
39 greater than the sum of the manufacturer's suggested retail price
40 and the price of the items added by the dealer, the supplemental

1 sticker price shall set forth that difference and describe it as “added
2 mark-up.”

3 (r) Advertise an underselling claim, including, but not limited
4 to, “we have the lowest prices” or “we will beat any dealer’s price,”
5 unless the dealer has conducted a recent survey showing that the
6 dealer sells its vehicles at lower prices than another licensee in its
7 trade area and maintains records to adequately substantiate the
8 claims. The substantiating records shall be made available to the
9 department upon request.

10 (s) (1) Advertise an incentive offered by the manufacturer or
11 distributor if the dealer is required to contribute to the cost of the
12 incentive as a condition of participating in the incentive program,
13 unless the dealer discloses in a clear and conspicuous manner that
14 dealer participation may affect consumer cost.

15 (2) For purposes of this subdivision, “incentive” means anything
16 of value offered to induce people to purchase a vehicle, including,
17 but not limited to, discounts, savings claims, rebates, below-market
18 finance rates, and free merchandise or services.

19 (t) Display or offer for sale a used vehicle unless there is affixed
20 to the vehicle the Federal Trade Commission’s Buyer’s Guide as
21 required by Part 455 of Title 16 of the Code of Federal Regulations.

22 (u) Fail to disclose in writing to the franchisor of a new motor
23 vehicle dealer the name of the purchaser, date of sale, and the
24 vehicle identification number of each new motor vehicle sold of
25 the line-make of that franchisor, or intentionally submit to that
26 franchisor a false name for the purchaser or false date for the date
27 of sale.

28 (v) Enter into a contract for the retail sale of a motor vehicle
29 unless the contract clearly and conspicuously discloses whether
30 the vehicle is being sold as a new vehicle or a used vehicle, as
31 defined in this code.

32 (w) Use a simulated check, as defined in subdivision (a) of
33 Section 22433 of the Business and Professions Code, in an
34 advertisement for the sale or lease of a vehicle.

35 (x) Fail to disclose, in a clear and conspicuous manner in at
36 least 10-point boldface type on the face of a contract for the retail
37 sale of a new motor vehicle that this transaction is, or is not, subject
38 to a fee received by an autobroker from the selling new motor
39 vehicle dealer, and the name of the autobroker, if applicable.

1 (y) As used in this section, “make” and “model” have the same
2 meaning as is provided in Section 565.3 of Title 49 of the Code
3 of Federal Regulations.

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

8 SEC. 12. Section 11713.1 is added to the Vehicle Code, to
9 read:

10 11713.1. It is a violation of this code for the holder of a dealer’s
11 license issued under this article to do any of the following:

12 (a) Advertise a specific vehicle for sale without identifying the
13 vehicle by its model, model-year, and either its license number or
14 that portion of the vehicle identification number that distinguishes
15 the vehicle from all other vehicles of the same make, model, and
16 model-year. Model-year is not required to be advertised for current
17 model-year vehicles. Year models are no longer current when
18 ensuing year models are available for purchase at retail in
19 California. An advertisement that offers for sale a class of new
20 vehicles in a dealer’s inventory, consisting of five or more vehicles,
21 that are all of the same make, model, and model-year is not required
22 to include in the advertisement the vehicle identification numbers
23 or license numbers of those vehicles.

24 (b) Advertise the total price of a vehicle without including all
25 costs to the purchaser at time of sale, except taxes, vehicle
26 registration fees, the California tire fee, as defined in Section 42885
27 of the Public Resources Code, emission testing charges not
28 exceeding fifty dollars (\$50), actual fees charged for certificates
29 pursuant to Section 44060 of the Health and Safety Code, finance
30 charges, and any dealer document processing charge or charge to
31 electronically register or transfer the vehicle.

32 (c) (1) Exclude from an advertisement of a vehicle for sale that
33 there will be added to the advertised total price at the time of sale,
34 charges for sales tax, vehicle registration fees, the California tire
35 fee, the fee charged by the state for the issuance of a certificate of
36 compliance or noncompliance pursuant to a statute, finance
37 charges, a charge to electronically register or transfer the vehicle,
38 and a dealer document processing charge.

39 (2) The obligations imposed by paragraph (1) are satisfied by
40 adding to the advertisement a statement containing no abbreviations

1 and that is worded in substantially the following form: “Plus
2 government fees and taxes, any finance charges, any dealer
3 document processing charge, any electronic filing charge, and any
4 emission testing charge.”

5 (3) For purposes of paragraph (1), “advertisement” means an
6 advertisement in a newspaper, magazine, or direct mail publication
7 that is two or more columns in width or one column in width and
8 more than seven inches in length, or on a Web page of a dealer’s
9 Internet Web site that displays the price of a vehicle offered for
10 sale on the Internet, as that term is defined in paragraph (6) of
11 subdivision (f) of Section 17538 of the Business and Professions
12 Code.

13 (d) Represent the dealer document processing charge, electronic
14 registration or transfer charge, or emission testing charge, as a
15 governmental fee.

16 (e) Fail to sell a vehicle to a person at the advertised total price,
17 exclusive of taxes, vehicle registration fees, the California tire fee,
18 the fee charged by the state for the issuance of a certificate of
19 compliance or noncompliance pursuant to a statute, finance
20 charges, mobilehome escrow fees, the amount of a city, county,
21 or city and county imposed fee or tax for a mobilehome, a dealer
22 document processing charge, an electronic registration or transfer
23 charge, and a charge for emission testing not to exceed fifty dollars
24 (\$50) plus the actual fees charged for certificates pursuant to
25 Section 44060 of the Health and Safety Code, while the vehicle
26 remains unsold, unless the advertisement states the advertised total
27 price is good only for a specified time and the time has elapsed.
28 Advertised vehicles shall be sold at or below the advertised total
29 price, with statutorily permitted exclusions, regardless of whether
30 the purchaser has knowledge of the advertised total price.

31 (f) (1) Advertise for sale, sell, or purchase for resale a new
32 vehicle of a line-make for which the dealer does not hold a
33 franchise.

34 (2) This subdivision does not apply to a transaction involving
35 the following:

36 (A) A mobilehome.

37 (B) A recreational vehicle as defined in Section 18010 of the
38 Health and Safety Code.

39 (C) A commercial coach, as defined in Section 18001.8 of the
40 Health and Safety Code.

1 (D) An off-highway motor vehicle subject to identification as
2 defined in Section 38012.

3 (E) A manufactured home.

4 (F) A new vehicle that will be substantially altered or modified
5 by a converter prior to resale.

6 (G) A commercial vehicle with a gross vehicle weight rating of
7 more than 10,000 pounds.

8 (H) A vehicle purchased for export and exported outside the
9 territorial limits of the United States without being registered with
10 the department.

11 (I) A vehicle acquired in the ordinary course of business as a
12 new vehicle by a dealer franchised to sell that vehicle, if all of the
13 following apply:

14 (i) The manufacturer or distributor of the vehicle files a
15 bankruptcy petition.

16 (ii) The franchise agreement of the dealer is terminated,
17 canceled, or rejected by the manufacturer or distributor as part of
18 the bankruptcy proceedings and the termination, cancellation, or
19 rejection is not a result of the revocation by the department of the
20 dealer's license or the dealer's conviction of a crime.

21 (iii) The vehicle is held in the inventory of the dealer on the
22 date the bankruptcy petition is filed.

23 (iv) The vehicle is sold by the dealer within six months of the
24 date the bankruptcy petition is filed.

25 (3) Subparagraph (I) of paragraph (2) does not entitle a dealer
26 whose franchise agreement has been terminated, canceled, or
27 rejected to continue to perform warranty service repairs or continue
28 to be eligible to offer or receive consumer or dealer incentives
29 offered by the manufacturer or distributor.

30 (g) Sell a park trailer, as specified in Section 18009.3 of the
31 Health and Safety Code, without disclosing in writing to the
32 purchaser that a park trailer is required to be moved by a transporter
33 or a licensed manufacturer or dealer under a permit issued by the
34 Department of Transportation or a local authority with respect to
35 highways under their respective jurisdictions.

36 (h) Advertise free merchandise, gifts, or services provided by
37 a dealer contingent on the purchase of a vehicle. "Free" includes
38 merchandise or services offered for sale at a price less than the
39 seller's cost of the merchandise or services.

(i) (1) Advertise vehicles, and related goods or services, at a specified dealer price, with the intent not to supply reasonably expectable demand, unless the advertisement discloses the number of vehicles in stock at the advertised price. In addition, whether or not there are sufficient vehicles in stock to supply a reasonably expectable demand, when phrases such as “starting at,” “from,” “beginning as low as,” or words of similar import are used in reference to an advertised price, the advertisement shall disclose the number of vehicles available at that advertised price.

(2) For purposes of this subdivision, in a newspaper advertisement for a vehicle that is two model-years old or newer, the actual phrase that states the number of vehicles in stock at the advertised price shall be printed in a type size that is at least equal to one-quarter of the type size, and in the same style and color of type, used for the advertised price. However, in no case shall the phrase be printed in less than 8-point type size, and the phrase shall be disclosed immediately above, below, or beside the advertised price without intervening words, pictures, marks, or symbols.

(3) The disclosure required by this subdivision is in addition to any other disclosure required by this code or any regulation regarding identifying vehicles advertised for sale.

(j) Use “rebate” or similar words, including, but not limited to, “cash back,” in advertising the sale of a vehicle unless the rebate is expressed in a specific dollar amount and is in fact a rebate offered by the vehicle manufacturer or distributor directly to the retail purchaser of the vehicle or to the assignee of the retail purchaser.

(k) Require a person to pay a higher price for a vehicle and related goods or services for receiving advertised credit terms than the cash price the same person would have to pay to purchase the same vehicle and related goods or services. For the purpose of this subdivision, “cash price” has the meaning as defined in subdivision (e) of Section 2981 of the Civil Code.

(l) Advertise a guaranteed trade-in allowance.

(m) Misrepresent the authority of a salesperson, representative, or agent to negotiate the final terms of a transaction.

(n) (1) Use “invoice,” “dealer’s invoice,” “wholesale price,” or similar terms that refer to a dealer’s cost for a vehicle in an

1 advertisement for the sale of a vehicle or advertise that the selling
2 price of a vehicle is above, below, or at either of the following:

3 (A) The manufacturer's or distributor's invoice price to a dealer.

4 (B) A dealer's cost.

5 (2) This subdivision does not apply to either of the following:

6 (A) A communication occurring during face-to-face negotiations
7 for the purchase of a specific vehicle if the prospective purchaser
8 initiates a discussion of the vehicle's invoice price or the dealer's
9 cost for that vehicle.

10 (B) A communication between a dealer and a prospective
11 commercial purchaser that is not disseminated to the general public.
12 For purposes of this subparagraph, a "commercial purchaser"
13 means a dealer, lessor, lessor-retailer, manufacturer,
14 remanufacturer, distributor, financial institution, governmental
15 entity, or person who purchases 10 or more vehicles during a year.

16 (o) Violate a law prohibiting bait and switch advertising,
17 including, but not limited to, the guides against bait advertising
18 set forth in Part 238 (commencing with Section 238) of Title 16
19 of the Code of Federal Regulations, as those regulations read on
20 January 1, 1988.

21 (p) Make an untrue or misleading statement indicating that a
22 vehicle is equipped with all the factory-installed optional equipment
23 the manufacturer offers, including, but not limited to, a false
24 statement that a vehicle is "fully factory equipped."

25 (q) Affix on a new vehicle a supplemental price sticker
26 containing a price that represents the dealer's asking price that
27 exceeds the manufacturer's suggested retail price unless all of the
28 following occur:

29 (1) The supplemental sticker clearly and conspicuously discloses
30 in the largest print appearing on the sticker, other than the print
31 size used for the dealer's name, that the supplemental sticker price
32 is the dealer's asking price, or words of similar import, and that it
33 is not the manufacturer's suggested retail price.

34 (2) The supplemental sticker clearly and conspicuously discloses
35 the manufacturer's suggested retail price.

36 (3) The supplemental sticker lists each item that is not included
37 in the manufacturer's suggested retail price, and discloses the
38 additional price of each item. If the supplemental sticker price is
39 greater than the sum of the manufacturer's suggested retail price
40 and the price of the items added by the dealer, the supplemental

1 sticker price shall set forth that difference and describe it as “added
2 mark-up.”

3 (r) Advertise an underselling claim, including, but not limited
4 to, “we have the lowest prices” or “we will beat any dealer’s price,”
5 unless the dealer has conducted a recent survey showing that the
6 dealer sells its vehicles at lower prices than another licensee in its
7 trade area and maintains records to adequately substantiate the
8 claims. The substantiating records shall be made available to the
9 department upon request.

10 (s) (1) Advertise an incentive offered by the manufacturer or
11 distributor if the dealer is required to contribute to the cost of the
12 incentive as a condition of participating in the incentive program,
13 unless the dealer discloses in a clear and conspicuous manner that
14 dealer participation may affect consumer cost.

15 (2) For purposes of this subdivision, “incentive” means anything
16 of value offered to induce people to purchase a vehicle, including,
17 but not limited to, discounts, savings claims, rebates, below-market
18 finance rates, and free merchandise or services.

19 (t) Display or offer for sale a used vehicle unless there is affixed
20 to the vehicle the Federal Trade Commission’s Buyer’s Guide as
21 required by Part 455 of Title 16 of the Code of Federal Regulations.

22 (u) Fail to disclose in writing to the franchisor of a new motor
23 vehicle dealer the name of the purchaser, date of sale, and the
24 vehicle identification number of each new motor vehicle sold of
25 the line-make of that franchisor, or intentionally submit to that
26 franchisor a false name for the purchaser or false date for the date
27 of sale.

28 (v) Enter into a contract for the retail sale of a motor vehicle
29 unless the contract clearly and conspicuously discloses whether
30 the vehicle is being sold as a new vehicle or a used vehicle, as
31 defined in this code.

32 (w) Use a simulated check, as defined in subdivision (a) of
33 Section 22433 of the Business and Professions Code, in an
34 advertisement for the sale or lease of a vehicle.

35 (x) Fail to disclose, in a clear and conspicuous manner in at
36 least 10-point boldface type on the face of a contract for the retail
37 sale of a new motor vehicle that this transaction is, or is not, subject
38 to a fee received by an autobroker from the selling new motor
39 vehicle dealer, and the name of the autobroker, if applicable.

(y) Sell or lease a new motor vehicle after October 1, 2012, unless the dealer has a contractual agreement with the department to be a private industry partner pursuant to Section 1685. This subdivision does not apply to the sale or lease of a motorcycle or off-highway motor vehicle subject to identification under Section 38010 or a recreational vehicle as defined in Section 18010 of the Health and Safety Code.

(z) As used in this section, “make” and “model” have the same meaning as is provided in Section 565.3 of Title 49 of the Code of Federal Regulations.

(aa) This section shall become operative on July 1, 2012.

SEC. 13. Section 11713.21 of the Vehicle Code is amended to read:

11713.21. (a) (1) A dealer shall not sell a used vehicle, as defined in Section 665 and subject to registration under this code, at retail to an individual for personal, family, or household use without offering the buyer a contract cancellation option agreement that allows the buyer to return the vehicle without cause. This section does not apply to a used vehicle having a purchase price of forty thousand dollars (\$40,000) or more, a motorcycle, as defined in Section 400, or a recreational vehicle, as defined in Section 18010 of the Health and Safety Code.

(2) The purchase price for the contract cancellation option shall not exceed the following:

(A) Seventy-five dollars (\$75) for a vehicle with a cash price of five thousand dollars (\$5,000) or less.

(B) One hundred fifty dollars (\$150) for a vehicle with a cash price of more than five thousand dollars (\$5,000), but not more than ten thousand dollars (\$10,000).

(C) Two hundred fifty dollars (\$250) for a vehicle with a cash price of more than ten thousand dollars (\$10,000), but not more than thirty thousand dollars (\$30,000).

(D) One percent of the purchase price for a vehicle with a cash price of more than thirty thousand dollars (\$30,000), but less than forty thousand dollars (\$40,000).

The term “cash price” as used in this paragraph has the same meaning as described in subparagraph (A) of paragraph (1) of subdivision (a) of Section 2982 of the Civil Code. “Cash price” also excludes registration, transfer, titling, license, and California tire and optional business partnership automation fees.

(b) To comply with subdivision (a), and notwithstanding Section 2981.9 of the Civil Code, a contract cancellation option agreement shall be contained in a document separate from the conditional sales contract or other vehicle purchase agreement and shall contain, at a minimum, the following:

(1) The name of the seller and the buyer.

(2) A description and the Vehicle Identification Number of the vehicle purchased.

(3) A statement specifying the time within which the buyer must exercise the right to cancel the purchase under the contract cancellation option and return the vehicle to the dealer. The dealer shall not specify a time that is earlier than the dealer's close of business on the second day following the day on which the vehicle was originally delivered to the buyer by the dealer.

(4) A statement that clearly and conspicuously specifies the dollar amount of any restocking fee the buyer must pay to the dealer to exercise the right to cancel the purchase under the contract cancellation option. The restocking fee shall not exceed one hundred seventy-five dollars (\$175) if the vehicle's cash price is five thousand dollars (\$5,000) or less, three hundred fifty dollars (\$350) if the vehicle's cash price is less than ten thousand dollars (\$10,000), and five hundred dollars (\$500) if the vehicle cash price is ten thousand dollars (\$10,000) or more. The dealer shall apply toward the restocking fee the price paid by the buyer for the contract cancellation option. The price for the purchase of the contract cancellation option is not otherwise subject to setoff or refund.

(5) Notwithstanding paragraph (4), when a buyer, who leased the purchased vehicle immediately preceding the dealer's sale of the vehicle to the buyer, exercises the contract cancellation option, the limit on the amount of a restocking fee required to be paid by the buyer shall be increased. That increased amount shall be the amount the buyer would have been obligated to pay the lessor, at the time of the termination of the lease, for the following charges, as specified in the lease, and as if the buyer had not purchased the contract cancellation option:

(A) Excess mileage.

(B) Unrepaired damage.

(C) Excess wear and tear.

1 (6) A statement specifying the maximum number of miles that
2 the vehicle may be driven after its original delivery by the dealer
3 to the buyer to remain eligible for cancellation under the contract
4 cancellation option. A dealer shall not specify fewer than 250 miles
5 in the contract cancellation option agreement.

6 (7) A statement that the contract cancellation option gives the
7 buyer the right to cancel the purchase and obtain a full refund,
8 minus the purchase price for the contract cancellation option
9 agreement; and that the right to cancel will apply only if, within
10 the time specified in the contract cancellation option agreement,
11 the following are personally delivered to the selling dealer by the
12 buyer: a written notice exercising the right to cancel the purchase
13 signed by the buyer; any restocking fee specified in the contract
14 cancellation option agreement minus the purchase price for the
15 contract cancellation option agreement; the original contract
16 cancellation option agreement and vehicle purchase contract and
17 related documents, if the seller gave those original documents to
18 the buyer; all original vehicle titling and registration documents,
19 if the seller gave those original documents to the buyer; and the
20 vehicle, free of all liens and encumbrances, other than any lien or
21 encumbrance created by or incidental to the conditional sales
22 contract, any loan arranged by the dealer, or any purchase money
23 loan obtained by the buyer from a third party, and in the same
24 condition as when it was delivered by the dealer to the buyer,
25 reasonable wear and tear and any defect or mechanical problem
26 that manifests or becomes evident after delivery that was not caused
27 by the buyer excepted, and which must not have been driven
28 beyond the mileage limit specified in the contract cancellation
29 option agreement. The agreement may also provide that the buyer
30 will execute documents reasonably necessary to effectuate the
31 cancellation and refund and as reasonably required to comply with
32 applicable law.

33 (8) At the bottom of the contract cancellation option agreement,
34 a statement that may be signed by the buyer to indicate the buyer's
35 election to exercise the right to cancel the purchase under the terms
36 of the contract cancellation option agreement, and the last date
37 and time by which the option to cancel may be exercised, followed
38 by a line for the buyer's signature. A particular form of statement
39 is not required, but the following statement is sufficient: "By
40 signing below, I elect to exercise my right to cancel the purchase

1 of the vehicle described in this agreement.” The buyer’s delivery
2 of the purchase cancellation agreement to the dealer with the
3 buyer’s signature following this statement shall constitute sufficient
4 written notice exercising the right to cancel the purchase under
5 paragraph (6). The dealer shall provide the buyer with the statement
6 required by this paragraph in duplicate to enable the buyer to return
7 the signed cancellation notice and retain a copy of the cancellation
8 agreement.

9 (9) If, pursuant to paragraph (5), the limit on the restocking fee
10 is increased by the amount the buyer, who exercises a contract
11 cancellation option would have been obligated to pay the lessor,
12 upon termination of the lease, for charges for excess mileage,
13 unrepaired damage, or excess wear and tear, as specified in the
14 lease, the dealer shall provide the buyer with a notice of the
15 contents of paragraph (5), including a statement regarding the
16 increased restocking fee.

17 (c) (1) No later than the second day following the day on which
18 the buyer exercises the right to cancel the purchase in compliance
19 with the contract cancellation option agreement, the dealer shall
20 cancel the contract and provide the buyer with a full refund,
21 including that portion of the sales tax attributable to amounts
22 excluded pursuant to Section 6012.3 of the Revenue and Taxation
23 Code.

24 (2) If the buyer was not charged for the contract cancellation
25 option agreement, the dealer shall return to the buyer, no later than
26 the day following the day on which the buyer exercises the right
27 to cancel the purchase, any motor vehicle the buyer left with the
28 seller as a downpayment or trade-in. If the dealer has sold or
29 otherwise transferred title to the motor vehicle that was left as a
30 downpayment or trade-in, the full refund described in paragraph
31 (1) shall include the fair market value of the motor vehicle left as
32 a downpayment or trade-in, or its value as stated in the contract
33 or purchase order, whichever is greater.

34 (3) If the buyer was charged for the contract cancellation option
35 agreement, the dealer shall retain any motor vehicle the buyer left
36 with the dealer as a downpayment or trade-in until the buyer
37 exercises the right to cancel or the right to cancel expires. If the
38 buyer exercises the right to cancel the purchase, the dealer shall
39 return to the buyer, no later than the day following the day on
40 which the buyer exercises the right to cancel the purchase, any

1 motor vehicle the buyer left with the seller as a downpayment or
2 trade-in. If the dealer has inadvertently sold or otherwise transferred
3 title to the motor vehicle as the result of a bona fide error,
4 notwithstanding reasonable procedures designed to avoid that
5 error, the inadvertent sale or transfer of title shall not be deemed
6 a violation of this paragraph, and the full refund described in
7 paragraph (1) shall include the retail market value of the motor
8 vehicle left as a downpayment or trade-in, or its value as stated in
9 the contract or purchase order, whichever is greater.

10 (d) If the dealer received a portion of the purchase price by
11 credit card, or other third-party payer on the buyer's account, the
12 dealer may refund that portion of the purchase price to the credit
13 card issuer or third-party payer for credit to the buyer's account.

14 (e) Notwithstanding subdivision (a), a dealer is not required to
15 offer a contract cancellation option agreement to an individual
16 who exercised his or her right to cancel the purchase of a vehicle
17 from the dealer pursuant to a contract cancellation option agreement
18 during the immediately preceding 30 days. A dealer is not required
19 to give notice to a subsequent buyer of the return of a vehicle
20 pursuant to this section. This subdivision does not abrogate or limit
21 any disclosure obligation imposed by any other law.

22 (f) This section does not affect or alter the legal rights, duties,
23 obligations, or liabilities of the buyer, the dealer, or the dealer's
24 agents or assigns, that would exist in the absence of a contract
25 cancellation option agreement. The buyer is the owner of a vehicle
26 when he or she takes delivery of a vehicle until the vehicle is
27 returned to the dealer pursuant to a contract cancellation option
28 agreement, and the existence of a contract cancellation option
29 agreement shall not impose permissive user liability on the dealer,
30 or the dealer's agents or assigns, under Section 460 or 17150 or
31 otherwise.

32 (g) ~~Nothing in this section is intended to~~ This section does not
33 affect the ability of a buyer to rescind the contract or revoke
34 acceptance under any other law.

35 (h) *This section shall become inoperative on July 1, 2012, and,*
36 *as of January 1, 2013, is repealed, unless a later enacted statute*
37 *that is enacted before January 1, 2013, deletes or extends the dates*
38 *on which it becomes inoperative and is repealed.*

39 SEC. 14. Section 11713.21 is added to the Vehicle Code, to
40 read:

11713.21. (a) (1) A dealer shall not sell a used vehicle, as defined in Section 665 and subject to registration under this code, at retail to an individual for personal, family, or household use without offering the buyer a contract cancellation option agreement that allows the buyer to return the vehicle without cause. This section does not apply to a used vehicle having a purchase price of forty thousand dollars (\$40,000) or more, a motorcycle, as defined in Section 400, or a recreational vehicle, as defined in Section 18010 of the Health and Safety Code.

(2) The purchase price for the contract cancellation option shall not exceed the following:

(A) Seventy-five dollars (\$75) for a vehicle with a cash price of five thousand dollars (\$5,000) or less.

(B) One hundred fifty dollars (\$150) for a vehicle with a cash price of more than five thousand dollars (\$5,000), but not more than ten thousand dollars (\$10,000).

(C) Two hundred fifty dollars (\$250) for a vehicle with a cash price of more than ten thousand dollars (\$10,000), but not more than thirty thousand dollars (\$30,000).

(D) One percent of the purchase price for a vehicle with a cash price of more than thirty thousand dollars (\$30,000), but less than forty thousand dollars (\$40,000).

The term “cash price” as used in this paragraph has the same meaning as described in subparagraph (A) of paragraph (1) of subdivision (a) of Section 2982 of the Civil Code. “Cash price” also excludes registration, transfer, titling, and license fees, the California tire fee, and any charge to electronically register or transfer the vehicle.

(b) To comply with subdivision (a), and notwithstanding Section 2981.9 of the Civil Code, a contract cancellation option agreement shall be contained in a document separate from the conditional sales contract or other vehicle purchase agreement and shall contain, at a minimum, the following:

(1) The name of the seller and the buyer.

(2) A description and the Vehicle Identification Number of the vehicle purchased.

(3) A statement specifying the time within which the buyer must exercise the right to cancel the purchase under the contract cancellation option and return the vehicle to the dealer. The dealer shall not specify a time that is earlier than the dealer’s close of

1 business on the second day following the day on which the vehicle
2 was originally delivered to the buyer by the dealer.

3 (4) A statement that clearly and conspicuously specifies the
4 dollar amount of any restocking fee the buyer must pay to the
5 dealer to exercise the right to cancel the purchase under the contract
6 cancellation option. The restocking fee shall not exceed one
7 hundred seventy-five dollars (\$175) if the vehicle's cash price is
8 five thousand dollars (\$5,000) or less, three hundred fifty dollars
9 (\$350) if the vehicle's cash price is less than ten thousand dollars
10 (\$10,000), and five hundred dollars (\$500) if the vehicle cash price
11 is ten thousand dollars (\$10,000) or more. The dealer shall apply
12 toward the restocking fee the price paid by the buyer for the
13 contract cancellation option. The price for the purchase of the
14 contract cancellation option is not otherwise subject to setoff or
15 refund.

16 (5) Notwithstanding paragraph (4), when a buyer, who leased
17 the purchased vehicle immediately preceding the dealer's sale of
18 the vehicle to the buyer, exercises the contract cancellation option,
19 the limit on the amount of a restocking fee required to be paid by
20 the buyer shall be increased. That increased amount shall be the
21 amount the buyer would have been obligated to pay the lessor, at
22 the time of the termination of the lease, for the following charges,
23 as specified in the lease, and as if the buyer had not purchased the
24 contract cancellation option:

25 (A) Excess mileage.

26 (B) Unrepaired damage.

27 (C) Excess wear and tear.

28 (6) A statement specifying the maximum number of miles that
29 the vehicle may be driven after its original delivery by the dealer
30 to the buyer to remain eligible for cancellation under the contract
31 cancellation option. A dealer shall not specify fewer than 250 miles
32 in the contract cancellation option agreement.

33 (7) A statement that the contract cancellation option gives the
34 buyer the right to cancel the purchase and obtain a full refund,
35 minus the purchase price for the contract cancellation option
36 agreement; and that the right to cancel will apply only if, within
37 the time specified in the contract cancellation option agreement,
38 the following are personally delivered to the selling dealer by the
39 buyer: a written notice exercising the right to cancel the purchase
40 signed by the buyer; any restocking fee specified in the contract

1 cancellation option agreement minus the purchase price for the
2 contract cancellation option agreement; the original contract
3 cancellation option agreement and vehicle purchase contract and
4 related documents, if the seller gave those original documents to
5 the buyer; all original vehicle titling and registration documents,
6 if the seller gave those original documents to the buyer; and the
7 vehicle, free of all liens and encumbrances, other than any lien or
8 encumbrance created by or incidental to the conditional sales
9 contract, any loan arranged by the dealer, or any purchase money
10 loan obtained by the buyer from a third party, and in the same
11 condition as when it was delivered by the dealer to the buyer,
12 reasonable wear and tear and any defect or mechanical problem
13 that manifests or becomes evident after delivery that was not caused
14 by the buyer excepted, and which must not have been driven
15 beyond the mileage limit specified in the contract cancellation
16 option agreement. The agreement may also provide that the buyer
17 will execute documents reasonably necessary to effectuate the
18 cancellation and refund and as reasonably required to comply with
19 applicable law.

20 (8) At the bottom of the contract cancellation option agreement,
21 a statement that may be signed by the buyer to indicate the buyer's
22 election to exercise the right to cancel the purchase under the terms
23 of the contract cancellation option agreement, and the last date
24 and time by which the option to cancel may be exercised, followed
25 by a line for the buyer's signature. A particular form of statement
26 is not required, but the following statement is sufficient: "By
27 signing below, I elect to exercise my right to cancel the purchase
28 of the vehicle described in this agreement." The buyer's delivery
29 of the purchase cancellation agreement to the dealer with the
30 buyer's signature following this statement shall constitute sufficient
31 written notice exercising the right to cancel the purchase pursuant
32 to paragraph (6). The dealer shall provide the buyer with the
33 statement required by this paragraph in duplicate to enable the
34 buyer to return the signed cancellation notice and retain a copy of
35 the cancellation agreement.

36 (9) If, pursuant to paragraph (5), the limit on the restocking fee
37 is increased by the amount the buyer, who exercises a contract
38 cancellation option would have been obligated to pay the lessor,
39 upon termination of the lease, for charges for excess mileage,
40 unrepaired damage, or excess wear and tear, as specified in the

1 lease, the dealer shall provide the buyer with a notice of the
2 contents of paragraph (5), including a statement regarding the
3 increased restocking fee.

4 (c) (1) No later than the second day following the day on which
5 the buyer exercises the right to cancel the purchase in compliance
6 with the contract cancellation option agreement, the dealer shall
7 cancel the contract and provide the buyer with a full refund,
8 including that portion of the sales tax attributable to amounts
9 excluded pursuant to Section 6012.3 of the Revenue and Taxation
10 Code.

11 (2) If the buyer was not charged for the contract cancellation
12 option agreement, the dealer shall return to the buyer, no later than
13 the day following the day on which the buyer exercises the right
14 to cancel the purchase, any motor vehicle the buyer left with the
15 seller as a downpayment or trade-in. If the dealer has sold or
16 otherwise transferred title to the motor vehicle that was left as a
17 downpayment or trade-in, the full refund described in paragraph
18 (1) shall include the fair market value of the motor vehicle left as
19 a downpayment or trade-in, or its value as stated in the contract
20 or purchase order, whichever is greater.

21 (3) If the buyer was charged for the contract cancellation option
22 agreement, the dealer shall retain any motor vehicle the buyer left
23 with the dealer as a downpayment or trade-in until the buyer
24 exercises the right to cancel or the right to cancel expires. If the
25 buyer exercises the right to cancel the purchase, the dealer shall
26 return to the buyer, no later than the day following the day on
27 which the buyer exercises the right to cancel the purchase, any
28 motor vehicle the buyer left with the seller as a downpayment or
29 trade-in. If the dealer has inadvertently sold or otherwise transferred
30 title to the motor vehicle as the result of a bona fide error,
31 notwithstanding reasonable procedures designed to avoid that
32 error, the inadvertent sale or transfer of title shall not be deemed
33 a violation of this paragraph, and the full refund described in
34 paragraph (1) shall include the retail market value of the motor
35 vehicle left as a downpayment or trade-in, or its value as stated in
36 the contract or purchase order, whichever is greater.

37 (d) If the dealer received a portion of the purchase price by
38 credit card, or other third-party payer on the buyer's account, the
39 dealer may refund that portion of the purchase price to the credit
40 card issuer or third-party payer for credit to the buyer's account.

(e) Notwithstanding subdivision (a), a dealer is not required to offer a contract cancellation option agreement to an individual who exercised his or her right to cancel the purchase of a vehicle from the dealer pursuant to a contract cancellation option agreement during the immediately preceding 30 days. A dealer is not required to give notice to a subsequent buyer of the return of a vehicle pursuant to this section. This subdivision does not abrogate or limit any disclosure obligation imposed by any other law.

(f) This section does not affect or alter the legal rights, duties, obligations, or liabilities of the buyer, the dealer, or the dealer's agents or assigns, that would exist in the absence of a contract cancellation option agreement. The buyer is the owner of a vehicle when he or she takes delivery of a vehicle until the vehicle is returned to the dealer pursuant to a contract cancellation option agreement, and the existence of a contract cancellation option agreement shall not impose permissive user liability on the dealer, or the dealer's agents or assigns, under Section 460 or 17150 or otherwise.

(g) This section does not affect the ability of a buyer to rescind the contract or revoke acceptance under any other law.

(h) This section shall become operative on July 1, 2012.

SEC. 15. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.