

AMENDED IN SENATE JULY 12, 2011

AMENDED IN SENATE JUNE 22, 2011

AMENDED IN ASSEMBLY MAY 27, 2011

AMENDED IN ASSEMBLY MAY 10, 2011

AMENDED IN ASSEMBLY APRIL 28, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

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**ASSEMBLY BILL**

**No. 1215**

**Introduced by Assembly Member Blumenfield**

February 18, 2011

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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, 4456.5, and 11713.26 to, the Vehicle Code, relating to vehicles.

LEGISLATIVE COUNSEL'S DIGEST

AB 1215, as amended, 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 existing law 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 motor vehicle sold or leased by a new motor vehicle dealer to be registered by the dealer using electronic programs provided by a qualified private industry partner, would require the dealer 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 require, beginning January 1, 2013, and every January 1 thereafter, the department to adjust, in with the California Consumer Price Index, the maximum amount of the document processing charge that may be imposed on the purchaser of a vehicle if a dealer has a contractual agreement with the department to be a private industry partner.~~

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.

The bill would prohibit a dealer from displaying or offering for sale at retail a used vehicle unless the dealer first obtains a report on the vehicle from the National Motor Vehicle Title Information System (NMVTIS). If the NMVTIS report indicates that the vehicle is or has been a junk or salvage automobile, or the vehicle has been reported as such by a junk or a salvage yard, or an insurance carrier, or the certificate of title contains a brand, the bill would require the dealer to do certain things, including post a disclosure, as provided.

Because this bill would create new crimes, 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. The Legislature finds and declares all of the  
2 following:

3 (a) There are more than 30 million vehicles registered in the  
4 State of California. Maintenance by the Department of Motor  
5 Vehicles of accurate registration records for those vehicles is of  
6 vital importance to registered owners, legal owners that hold liens  
7 on vehicles, law enforcement agencies that police vehicles, tax  
8 collection agencies that collect taxes and fees assessed on vehicles,  
9 and pollution control agencies that regulate emissions produced  
10 by vehicles.

11 (b) As authorized by the Legislature in 2001, the department  
12 administers the Business Partner Automation Program, pursuant  
13 to Section 1685 of the Vehicle Code, to improve the quality of  
14 registration products and services by licensing qualified private  
15 industry partners to provide secure electronic portals to licensed  
16 dealers and registration services so that they may perform required  
17 registration tasks electronically.

18 (c) Electronic vehicle registration under the Business Partner  
19 Automation Program results in multiple benefits. The department  
20 benefits through increased accuracy of records that are recorded  
21 and transmitted electronically and also benefits through processing  
22 efficiencies that reduce wait times in field offices for nonelectronic  
23 transactions. Electronic registration also aids law enforcement,  
24 other government agencies, and consumers by accelerating the  
25 issuance of permanent license plates from a period of weeks or  
26 months to days.

27 (d) It is the intent of the Legislature in enacting this act to further  
28 increase the registration benefits and efficiencies of the  
29 department's Business Partner Automation Program by requiring  
30 all eligible vehicles sold or leased by a new motor vehicle dealer

1 to be registered electronically. It is also the intent of the Legislature  
2 that the department continues to improve and expand the quality  
3 and efficiency of the Business Partner Automation Program to  
4 permit existing department personnel to increase customer service  
5 in other areas without a workforce reduction.

6 SEC. 2. The Legislature finds and declares all of the following:

7 (a) The electronic National Motor Vehicle Title Information  
8 System (NMVTIS) is a national federally mandated vehicle history  
9 database maintained by the United States Department of Justice  
10 to ensure that states, law enforcement agencies, and consumers  
11 have access to vehicle titling, branding, and other information that  
12 enable them to verify the accuracy and legality of motor vehicle  
13 titles before transfer or registration of the vehicle occurs.

14 (b) According to a cost-benefit analysis commissioned by the  
15 United States Department of Justice, full implementation of  
16 NMVTIS will save the American public between \$4.3 billion and  
17 \$11.7 billion by helping to curb automobile-related salvage fraud,  
18 theft, and related crimes.

19 (c) All automobile insurers, self-insured entities, salvage pools,  
20 automobile auctions, and recyclers, are required to report vehicles  
21 that are deemed a total loss to NMVTIS and update the data at  
22 least every 30 days.

23 (d) According to NMVTIS, 87 percent of departments of motor  
24 vehicle titling data from the entire United States, including all of  
25 the California Department of Motor Vehicles titling data, is  
26 currently represented in NMVTIS and the database is expanding  
27 daily.

28 (e) Federal law provides that NMVTIS must be supported  
29 through user fees from government and private users and may not  
30 be dependent on federal funding. The NMVTIS operator is  
31 authorized to assess and collect user fees not to exceed the cost of  
32 operating the system, not permitting any profits to be made by the  
33 operator. Federal funding and investments by the NMVTIS  
34 operator account for over \$40 million in support of operations  
35 since 1997. Fees to state government users are not projected to be  
36 adequate to provide sufficient revenue to defray all anticipated  
37 operating costs. It is crucial to the success of NMVTIS that new  
38 applications be developed to generate sufficient nonstate  
39 government user fees so that NMVTIS may continue its operations.

1 (f) It is the intent of the Legislature in enacting Section 17 of  
2 this act to ensure that every motor vehicle dealer licensed in this  
3 state obtain a NMVTIS vehicle history report for every used vehicle  
4 that will be offered for retail sale and that any used vehicle that  
5 has been titled or reported as salvage or junk as indicated by the  
6 NMVTIS vehicle history report be identified as such. By becoming  
7 the first and largest state in the country to require the use of  
8 NMVTIS vehicle history reports by dealers in retail used vehicle  
9 transactions, this act will not only benefit the California consumer,  
10 it will also strengthen and financially support NMVTIS.

11 SEC. 3. Section 2982 of the Civil Code is amended to read:

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

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

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

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

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

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

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

40 (F) Taxes imposed on the sale.

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

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

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

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

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

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

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

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

33 (b) No particular terminology is required to disclose the items  
34 set forth in subdivision (a) except as expressly provided in that  
35 subdivision.

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

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

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

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

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

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



1 repossessed and you may be subject to suit and liability for the  
2 unpaid indebtedness evidenced by this agreement.”

3 (2) If the contract includes a finance charge that is determined  
4 on the precomputed basis and provides for the actuarial method  
5 for computing the unearned portion of the finance charge upon  
6 prepayment in full, the contract shall contain a notice, in at least  
7 10-point boldface type if the contract is printed, reading as  
8 follows: “Notice to buyer: (1) Do not sign this agreement before  
9 you read it or if it contains any blank spaces to be filled in. (2)  
10 You are entitled to a completely filled-in copy of this agreement.

11 (3) You can prepay the full amount due under this agreement at  
12 any time and obtain a partial refund of the finance charge if it is  
13 \$1 or more. (4) If you default in the performance of your  
14 obligations under this agreement, the vehicle may be repossessed  
15 and you may be subject to suit and liability for the unpaid  
16 indebtedness evidenced by this agreement.”

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

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

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

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

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

1 \_\_\_\_\_

2  
3 Buyer's Signature"

4  
5 (i) (1) The contract shall contain an itemization of any insurance  
6 included as part of the amount financed disclosed pursuant to  
7 paragraph (3) of subdivision (a) and of any insurance included as  
8 part of the finance charge. The itemization shall identify the type  
9 of insurance coverage and the premium charged therefor, and, if  
10 the insurance expires before the date of the last scheduled  
11 installment included in the repayment schedule, the term of the  
12 insurance shall be stated.

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

20 (j) (1) Except for contracts in which the finance charge or a  
21 portion of the finance charge is determined by the simple-interest  
22 basis and the amount financed disclosed pursuant to paragraph (8)  
23 of subdivision (a) is more than two thousand five hundred dollars  
24 (\$2,500), the dollar amount of the disclosed finance charge may  
25 not exceed the greater of:

26 (A) (i) One and one-half percent on so much of the unpaid  
27 balance as does not exceed two hundred twenty-five dollars (\$225),  
28 1 1/6 percent on so much of the unpaid balance in excess of two  
29 hundred twenty-five dollars (\$225) as does not exceed nine hundred  
30 dollars (\$900) and five-sixths of 1 percent on so much of the unpaid  
31 balance in excess of nine hundred dollars (\$900) as does not exceed  
32 two thousand five hundred dollars (\$2,500).

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

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

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

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

5 (ii) Fifty dollars (\$50) if the unpaid balance exceeds one  
6 thousand dollars (\$1,000) but does not exceed two thousand dollars  
7 (\$2,000).

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

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

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

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

37 (k) The contract may provide that for each installment in default  
38 for a period of not less than 10 days the buyer shall pay a  
39 delinquency charge in an amount not to exceed in the aggregate 5  
40 percent of the delinquent installment, which amount may be

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

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

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

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

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

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

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

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

34 (n) If the seller imposes a fee for document preparation, the  
35 contract shall contain a disclosure that the fee is not a governmental  
36 fee.

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

39 (p) The seller or holder may charge and collect a fee not to  
40 exceed fifteen dollars (\$15) for the return by a depository institution

1 of a dishonored check, negotiated order of withdrawal, or share  
2 draft issued in connection with the contract if the contract so  
3 provides or if the contract contains a generalized statement that  
4 the buyer may be liable for collection costs incurred in connection  
5 with the contract.

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

12 (r) The contract shall contain a notice with a heading in at least  
13 12-point bold type and the text in at least 10-point bold type,  
14 circumscribed by a line, immediately above the contract signature  
15 line, that reads as follows:

16  
17           THERE IS NO COOLING-OFF PERIOD UNLESS YOU  
18           OBTAIN A CONTRACT CANCELLATION OPTION.  
19

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

26           However, California law does require a seller to offer a 2-day contract  
27 cancellation option on used vehicles with a purchase price of less than  
28 \$40,000, subject to certain statutory conditions. This contract cancellation  
29 option requirement does not apply to the sale of a recreational vehicle, a  
30 motorcycle, or an off-highway motor vehicle subject to identification  
31 under California law. See the vehicle contract cancellation option  
32 agreement for details.  
33

34  
35 (s) 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. 4. Section 2982 is added to the Civil Code, to read:

1 2982. A conditional sale contract subject to this chapter shall  
2 contain the disclosures required by Regulation Z, whether or not  
3 Regulation Z applies to the transaction. In addition, to the extent  
4 applicable, the contract shall contain the other disclosures and  
5 notices required by, and shall satisfy the requirements and  
6 limitations of, this section. The disclosures required by subdivision  
7 (a) may be itemized or subtotaled to a greater extent than as  
8 required by that subdivision and shall be made together and in the  
9 sequence set forth in that subdivision. All other disclosures and  
10 notices may appear in the contract in any location or sequence and  
11 may be combined or interspersed with other provisions of the  
12 contract.

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

16 (1) (A) The cash price, exclusive of document processing  
17 charges, charges to electronically register or transfer the vehicle,  
18 taxes imposed on the sale, pollution control certification fees, prior  
19 credit or lease balance on property being traded in, the amount  
20 charged for a service contract, the amount charged for a theft  
21 deterrent system, the amount charged for a surface protection  
22 product, the amount charged for an optional debt cancellation  
23 agreement, and the amount charged for a contract cancellation  
24 option agreement.

25 (B) The charge to be retained by the seller for document  
26 processing authorized pursuant to Section 4456.5 of the Vehicle  
27 Code.

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

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

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

32 (F) Taxes imposed on the sale.

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

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

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

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

- 1 (K) Any charge for a used vehicle contract cancellation option
- 2 agreement.
- 3 (L) The total cash price, which is the sum of subparagraphs (A)
- 4 to (K), inclusive.
- 5 (M) The disclosures described in subparagraphs (D), (E), and
- 6 (K) are not required on contracts involving the sale of a motorcycle,
- 7 as defined in Section 400 of the Vehicle Code, or on contracts
- 8 involving the sale of an off-highway motor vehicle that is subject
- 9 to identification under Section 38010 of the Vehicle Code, and the
- 10 amounts of those charges, if any, are not required to be reflected
- 11 in the total price under subparagraph (L).
- 12 (2) Amounts paid to public officials for the following:
- 13 (A) Vehicle license fees.
- 14 (B) Registration, transfer, and titling fees.
- 15 (C) California tire fees imposed pursuant to Section 42885 of
- 16 the Public Resources Code.
- 17 (3) The aggregate amount of premiums agreed, upon execution
- 18 of the contract, to be paid for policies of insurance included in the
- 19 contract, excluding the amount of any insurance premium included
- 20 in the finance charge.
- 21 (4) The amount of the state fee for issuance of a certificate of
- 22 compliance, noncompliance, exemption, or waiver pursuant to any
- 23 applicable pollution control statute.
- 24 (5) A subtotal representing the sum of the amounts described
- 25 in paragraphs (1) to (4), inclusive.
- 26 (6) The amount of the buyer's downpayment itemized to show
- 27 the following:
- 28 (A) The agreed value of the property being traded in.
- 29 (B) The prior credit or lease balance, if any, owing on the
- 30 property being traded in.
- 31 (C) The net agreed value of the property being traded in, which
- 32 is the difference between the amounts disclosed in subparagraphs
- 33 (A) and (B). If the prior credit or lease balance of the property
- 34 being traded in exceeds the agreed value of the property, a negative
- 35 number shall be stated.
- 36 (D) The amount of any portion of the downpayment to be
- 37 deferred until not later than the due date of the second regularly
- 38 scheduled installment under the contract and that is not subject to
- 39 a finance charge.



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

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

5 (G) The total downpayment. If the sum of subparagraphs (C)  
6 to (F), inclusive, is zero or more, that sum shall be stated as the  
7 total downpayment, and no amount shall be stated as the prior  
8 credit or lease balance under subparagraph (I) of paragraph (1). If  
9 the sum of subparagraphs (C) to (F), inclusive, is less than zero,  
10 then that sum, expressed as a positive number, shall be stated as  
11 the prior credit or lease balance under subparagraph (I) of  
12 paragraph (1), and zero shall be stated as the total downpayment.  
13 The disclosure required by this subparagraph shall be labeled “total  
14 downpayment” and shall contain a descriptor indicating that if the  
15 total downpayment is a negative number, a zero shall be disclosed  
16 as the total downpayment and a reference made that the remainder  
17 shall be included in the disclosure required pursuant to  
18 subparagraph (I) of paragraph (1).

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

21 (8) The difference between the amount described in paragraph  
22 (5) and the sum of the amounts described in paragraphs (6) and  
23 (7), labeled “amount financed.”

24 (b) No particular terminology is required to disclose the items  
25 set forth in subdivision (a) except as expressly provided in that  
26 subdivision.

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

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

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

35 (f) (1) If the contract includes a finance charge determined on  
36 the precomputed basis, the contract shall identify the method of  
37 computing the unearned portion of the finance charge in the event  
38 of prepayment in full of the buyer’s obligation and contain a  
39 statement of the amount or method of computation of any charge  
40 that may be deducted from the amount of any unearned finance

1 charge in computing the amount that will be credited to the  
2 obligation or refunded to the buyer. The method of computing the  
3 unearned portion of the finance charge shall be sufficiently  
4 identified with a reference to the actuarial method if the  
5 computation will be under that method. The method of computing  
6 the unearned portion of the finance charge shall be sufficiently  
7 identified with a reference to the Rule of 78's, the sum of the digits,  
8 or the sum of the periodic time balances method in all other cases,  
9 and those references shall be deemed to be equivalent for disclosure  
10 purposes.

11 (2) If the contract includes a finance charge that is determined  
12 on the simple-interest basis but provides for a minimum finance  
13 charge in the event of prepayment in full, the contract shall contain  
14 a statement of that fact and the amount of the minimum finance  
15 charge or its method of calculation.

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

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

1 (3) You can prepay the full amount due under this agreement at  
2 any time and obtain a partial refund of the finance charge if it is  
3 \$1 or more. (4) If you default in the performance of your  
4 obligations under this agreement, the vehicle may be repossessed  
5 and you may be subject to suit and liability for the unpaid  
6 indebtedness evidenced by this agreement.”

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

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

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

22 Complaints concerning unfair or deceptive practices or methods  
23 by the seller may be referred to the city attorney, the district  
24 attorney, or an investigator for the Department of Motor Vehicles,  
25 or any combination thereof.

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

30

31

\_\_\_\_\_

32

Buyer’s Signature”

33

34

35 (i) (1) The contract shall contain an itemization of any insurance  
36 included as part of the amount financed disclosed pursuant to  
37 paragraph (3) of subdivision (a) and of any insurance included as  
38 part of the finance charge. The itemization shall identify the type  
39 of insurance coverage and the premium charged therefor, and, if  
40 the insurance expires before the date of the last scheduled

1 installment included in the repayment schedule, the term of the  
2 insurance shall be stated.

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

10 (j) (1) Except for contracts in which the finance charge or a  
11 portion of the finance charge is determined by the simple-interest  
12 basis and the amount financed disclosed pursuant to paragraph (8)  
13 of subdivision (a) is more than two thousand five hundred dollars  
14 (\$2,500), the dollar amount of the disclosed finance charge may  
15 not exceed the greater of:

16 (A) (i) One and one-half percent on so much of the unpaid  
17 balance as does not exceed two hundred twenty-five dollars (\$225),  
18  $1\frac{1}{6}$  percent on so much of the unpaid balance in excess of two  
19 hundred twenty-five dollars (\$225) as does not exceed nine hundred  
20 dollars (\$900) and five-sixths of 1 percent on so much of the unpaid  
21 balance in excess of nine hundred dollars (\$900) as does not exceed  
22 two thousand five hundred dollars (\$2,500).

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

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

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

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

34 (ii) Fifty dollars (\$50) if the unpaid balance exceeds one  
35 thousand dollars (\$1,000) but does not exceed two thousand dollars  
36 (\$2,000).

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

39 (2) The holder of the contract shall not charge, collect, or receive  
40 a finance charge that exceeds the disclosed finance charge, except

1 to the extent (A) caused by the holder's receipt of one or more  
2 payments under a contract that provides for determination of the  
3 finance charge or a portion thereof on the 365-day basis at a time  
4 or times other than as originally scheduled whether or not the  
5 parties enter into an agreement pursuant to Section 2982.3, (B)  
6 permitted by paragraph (2), (3), or (4) of subdivision (c) of Section  
7 226.17 of Regulation Z, or (C) permitted by subdivisions (a) and  
8 (c) of Section 2982.8.

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

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

26 (k) The contract may provide that for each installment in default  
27 for a period of not less than 10 days the buyer shall pay a  
28 delinquency charge in an amount not to exceed in the aggregate 5  
29 percent of the delinquent installment, which amount may be  
30 collected only once on any installment regardless of the period  
31 during which it remains in default. Payments timely received by  
32 the seller under an extension or deferral agreement may not be  
33 subject to a delinquency charge unless the charge is permitted by  
34 Section 2982.3. The contract may provide for reasonable collection  
35 costs and fees in the event of delinquency.

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

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

20 (2) If the finance charge or a portion of the finance charge was  
21 determined on the simple-interest basis, the amount required to  
22 prepay the contract shall be the outstanding contract balance as of  
23 that date, including any earned finance charges that are unpaid as  
24 of that date and, if applicable, the amount provided in paragraph  
25 (3), and provided further that in cases where a finance charge is  
26 determined on the 360-day basis, the payments received under the  
27 contract shall be assumed to have been received on their respective  
28 due dates regardless of the actual dates on which the payments  
29 were received.

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

35 (4) This subdivision shall not impair the right of the seller or  
36 the seller's assignee to receive delinquency charges on delinquent  
37 installments and reasonable costs and fees as provided in  
38 subdivision (k) or extension or deferral agreement charges as  
39 provided in Section 2982.3.

1 (5) Notwithstanding any provision of a contract to the contrary,  
2 if the indebtedness created by any contract is satisfied prior to its  
3 maturity through surrender of the motor vehicle, repossession of  
4 the motor vehicle, redemption of the motor vehicle after  
5 repossession, or any judgment, the outstanding obligation of the  
6 buyer shall be determined as provided in paragraph (1) or (2).  
7 Notwithstanding, the buyer's outstanding obligation shall be  
8 computed by the holder as of the date the holder recovers the value  
9 of the motor vehicle through disposition thereof or judgment is  
10 entered or, if the holder elects to keep the motor vehicle in  
11 satisfaction of the buyer's indebtedness, as of the date the holder  
12 takes possession of the motor vehicle.

13 (m) Notwithstanding any other provision of this chapter to the  
14 contrary, any information required to be disclosed in a conditional  
15 sale contract under this chapter may be disclosed in any manner,  
16 method, or terminology required or permitted under Regulation  
17 Z, as in effect at the time that disclosure is made, except that  
18 permitted by paragraph (2) of subdivision (c) of Section 226.18  
19 of Regulation Z, if all of the requirements and limitations set forth  
20 in subdivision (a) are satisfied. This chapter does not prohibit the  
21 disclosure in that contract of additional information required or  
22 permitted under Regulation Z, as in effect at the time that disclosure  
23 is made.

24 (n) If the seller imposes a charge for document processing or  
25 to electronically register or transfer the vehicle, the contract shall  
26 contain a disclosure that the charge is not a governmental fee.

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

29 (p) The seller or holder may charge and collect a fee not to  
30 exceed fifteen dollars (\$15) for the return by a depository institution  
31 of a dishonored check, negotiated order of withdrawal, or share  
32 draft issued in connection with the contract if the contract so  
33 provides or if the contract contains a generalized statement that  
34 the buyer may be liable for collection costs incurred in connection  
35 with the contract.

36 (q) The contract shall disclose on its face, by printing the word  
37 "new" or "used" within a box outlined in red, that is not smaller  
38 than one-half inch high and one-half inch wide, whether the vehicle  
39 is sold as a new vehicle, as defined in Section 430 of the Vehicle

1 Code, or as a used vehicle, as defined in Section 665 of the Vehicle  
2 Code.

3 (r) The contract shall contain a notice with a heading in at least  
4 12-point bold type and the text in at least 10-point bold type,  
5 circumscribed by a line, immediately above the contract signature  
6 line, that reads as follows:

7  
8 **THERE IS NO COOLING-OFF PERIOD UNLESS YOU**  
9 **OBTAIN A CONTRACT CANCELLATION OPTION.**

10  
11 California law does not provide for a “cooling-off” or other cancellation  
12 period for vehicle sales. Therefore, you cannot later cancel this contract  
13 simply because you change your mind, decide the vehicle costs too much,  
14 or wish you had acquired a different vehicle. After you sign below, you  
15 may only cancel this contract with the agreement of the seller or for legal  
16 cause, such as fraud.

17 However, California law does require a seller to offer a 2-day contract  
18 cancellation option on used vehicles with a purchase price of less than  
19 \$40,000, subject to certain statutory conditions. This contract cancellation  
20 option requirement does not apply to the sale of a recreational vehicle, a  
21 motorcycle, or an off-highway motor vehicle subject to identification  
22 under California law. See the vehicle contract cancellation option  
23 agreement for details.

24  
25  
26 (s) This section shall become operative on July 1, 2012.

27 **SEC. 5.** Section 2985.8 of the Civil Code is amended to read:

28 2985.8. (a) A lease contract shall be in writing and the print  
29 portion of the contract shall be printed in at least 8-point type and  
30 shall contain in a single document all of the agreements of the  
31 lessor and lessee with respect to the obligations of each party.

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

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

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

39 (2) A separate statement labeled “Itemization of Gross  
40 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 fee, if any, to be retained by the lessor for document  
26 preparation, which fee may not exceed forty-five dollars (\$45) and  
27 shall not be represented as a governmental fee.

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

1 “GAP LIABILITY NOTICE

2  
3 In the event of theft or damage to the vehicle that results in a  
4 total loss, there may be a GAP between the amount due upon early  
5 termination and the proceeds of your insurance settlement and  
6 deductible. THIS LEASE PROVIDES THAT YOU ARE LIABLE  
7 FOR THE GAP AMOUNT. Optional coverage for the GAP amount  
8 may be offered for an additional price.”  
9

10 (k) 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. 6. Section 2985.8 is added to the Civil Code, to read:

15 2985.8. (a) A lease contract shall be in writing, and the print  
16 portion of the contract shall be printed in at least 8-point type and  
17 shall contain in a single document all of the agreements of the  
18 lessor and lessee with respect to the obligations of each party.

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

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

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

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

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

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

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

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

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

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

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

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

6 (4) A brief description of each vehicle or other property being  
7 traded in and the agreed-upon value of the vehicle or property if  
8 the amount due at the time of signing the lease or upon delivery  
9 is paid in whole or in part with a net trade-in allowance or the  
10 “Itemization of Gross Capitalized Cost” includes any portion of  
11 the outstanding prior credit or lease balance from the trade-in  
12 property.

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

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

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

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

30

31

“THERE IS NO COOLING OFF PERIOD

32

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

39

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

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

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

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

16 (j) If the lease contract contains a provision that holds the lessee  
17 liable for the difference between (1) the adjusted capitalized cost  
18 disclosed in the lease contract reduced by the amounts described  
19 in subparagraph (A) of paragraph (5) of subdivision (b) of Section  
20 2987 and (2) the settlement proceeds of the lessee’s required  
21 insurance and deductible in the event of theft or damage to the  
22 vehicle that results in a total loss, the lease contract shall contain  
23 the following notice in at least 8-point boldface type on the first  
24 page of the contract:

25  
26 “GAP LIABILITY NOTICE

27  
28 In the event of theft or damage to the vehicle that results in a  
29 total loss, there may be a GAP between the amount due upon early  
30 termination and the proceeds of your insurance settlement and  
31 deductible. **THIS LEASE PROVIDES THAT YOU ARE LIABLE**  
32 **FOR THE GAP AMOUNT.** Optional coverage for the GAP amount  
33 may be offered for an additional price.”

34  
35 (k) This section shall become operative on July 1, 2012.

36 SEC. 7. Section 4456 of the Vehicle Code is amended to read:  
37 4456. (a) When selling a vehicle, dealers and lessor-retailers  
38 shall use numbered report-of-sale forms issued by the department.  
39 The forms shall be used in accordance with the following terms  
40 and conditions:

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

4 (2) The dealer or lessor-retailer shall submit to the department  
5 an application accompanied by all fees and penalties due for  
6 registration or transfer of registration of the vehicle within 30 days  
7 from the date of sale, as provided in subdivision (c) of Section  
8 9553, if the vehicle is a used vehicle, and 20 days if the vehicle is  
9 a new vehicle. Penalties due for noncompliance with this paragraph  
10 shall be paid by the dealer or lessor-retailer. The dealer or  
11 lessor-retailer shall not charge the purchaser for the penalties.

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

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

17 (B) Purchaser's name and address.

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

20 (D) Salesperson number.

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

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

38 (6) An application first received by the department more than  
39 50 days from the date of sale of the vehicle if the vehicle is a used

1 vehicle, and 40 days if the vehicle is a new vehicle, is subject to  
2 the penalties specified in subdivisions (a) and (b) of Section 4456.1.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40 SEC. 8. Section 4456 is added to the Vehicle Code, to read:

1 4456. (a) When selling a vehicle, dealers and lessor-retailers  
2 shall use numbered report-of-sale forms issued by the department.  
3 The forms shall be used in accordance with the following terms  
4 and conditions:

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

8 (2) The dealer or lessor-retailer shall submit to the department  
9 an application accompanied by all fees and penalties due for  
10 registration or transfer of registration of the vehicle within 30 days  
11 from the date of sale, as provided in subdivision (c) of Section  
12 9553, if the vehicle is a used vehicle, and 20 days if the vehicle is  
13 a new vehicle. Penalties due for noncompliance with this paragraph  
14 shall be paid by the dealer or lessor-retailer. The dealer or  
15 lessor-retailer shall not charge the purchaser for the penalties.

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

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

21 (B) Purchaser's name and address.

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

24 (D) Salesperson number.

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

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



1 days from the date of sale of the vehicle if the vehicle is a used  
2 vehicle, and 40 days if the vehicle is a new vehicle.

3 (6) An application first received by the department more than  
4 50 days from the date of sale of the vehicle if the vehicle is a used  
5 vehicle, and 40 days if the vehicle is a new vehicle, is subject to  
6 the penalties specified in subdivisions (a) and (b) of Section 4456.1.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 SEC. 9. Section 4456.4 is added to the Vehicle Code, to read:  
 2 4456.4. (a) A motor vehicle sold or leased by a new motor  
 3 vehicle dealer shall be registered by the dealer using electronic  
 4 programs provided by a qualified private industry partner pursuant  
 5 to Section 1685 if the department permits the transaction to be  
 6 processed electronically.

7 (b) This section does not apply to the sale or lease of a  
 8 motorcycle or off-highway motor vehicle subject to identification  
 9 under Section 38010 or a recreational vehicle as defined in Section  
 10 18010 of the Health and Safety Code.

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

12 SEC. 10. Section 4456.5 is added to the Vehicle Code, to read:  
 13 4456.5. (a) A dealer may charge the purchaser or lessee of a  
 14 vehicle the following charges:

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

20 (A) If a dealer has a contractual agreement with the department  
 21 to be a private industry partner pursuant to Section 1685, the  
 22 document processing charge shall not exceed ~~seventy-five dollars~~  
 23 ~~(\$75);~~ *eighty dollars (\$80)*.

24 (B) If a dealer does not have a contractual agreement with the  
 25 department to be a private industry partner pursuant to Section  
 26 1685, the document processing charge shall not exceed sixty-five  
 27 dollars (\$65).

28 ~~(C) On January 1, 2013, and every January 1 thereafter, the~~  
 29 ~~department shall adjust the maximum amount of the dealer~~  
 30 ~~document processing charge authorized in subparagraph (A) in~~  
 31 ~~accordance with the California Consumer Price Index, which shall~~  
 32 ~~not exceed one hundred dollars (\$100). The maximum amount of~~  
 33 ~~the charge shall be rounded to the nearest whole dollar, with~~  
 34 ~~amounts equal to, or greater than, fifty cents (\$0.50) rounded to~~  
 35 ~~the next highest whole dollar.~~

36 (2) An electronic filing charge, not to exceed twenty-nine dollars  
 37 (\$29) or the actual amount the dealer is charged by a first-line  
 38 service provider, whichever is less, for providing license plate  
 39 processing, postage, and the fees and services authorized pursuant  
 40 to subdivisions (a) and (d) of Section 1685. The director may

1 establish, through the adoption of regulations, the maximum  
2 amount that a first-line service provider may charge a dealer. The  
3 electronic filing charge shall not be represented as a governmental  
4 fee.

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

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

9 SEC. 11. Section 5202 of the Vehicle Code is amended to read:

10 5202. (a) A license plate issued by this state or any other  
11 jurisdiction within or without the United States shall remain  
12 attached during the period of its validity to the vehicle for which  
13 it is issued while being operated within this state or during the time  
14 the vehicle is being held for sale in this state, or until the time that  
15 a vehicle with special or identification plates is no longer entitled  
16 to those plates; and a person shall not operate, nor shall an owner  
17 knowingly permit to be operated, upon a highway a vehicle unless  
18 the license plate is so attached. Special permits issued in lieu of  
19 plates shall be attached and displayed on the vehicle for which  
20 issued during the period of their validity.

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

25 SEC. 12. Section 5202 is added to the Vehicle Code, to read:

26 5202. (a) A license plate issued by this state or any other  
27 jurisdiction within or without the United States shall be attached  
28 upon receipt and remain attached during the period of its validity  
29 to the vehicle for which it is issued while being operated within  
30 this state or during the time the vehicle is being held for sale in  
31 this state, or until the time that a vehicle with special or  
32 identification plates is no longer entitled to those plates; and a  
33 person shall not operate, and an owner shall not knowingly permit  
34 to be operated, upon any highway, a vehicle unless the license  
35 plate is so attached. A special permit issued in lieu of plates shall  
36 be attached and displayed on the vehicle for which the permit was  
37 issued during the period of the permit’s validity.

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

39 SEC. 13. Section 11713.1 of the Vehicle Code is amended to  
40 read:

1 11713.1. It is a violation of this code for the holder of a dealer's  
2 license issued under this article to do any of the following:

3 (a) Advertise a specific vehicle for sale without identifying the  
4 vehicle by its model, model-year, and either its license number or  
5 that portion of the vehicle identification number that distinguishes  
6 the vehicle from all other vehicles of the same make, model, and  
7 model-year. Model-year is not required to be advertised for current  
8 model-year vehicles. Year models are no longer current when  
9 ensuing year models are available for purchase at retail in  
10 California. An advertisement that offers for sale a class of new  
11 vehicles in a dealer's inventory, consisting of five or more vehicles,  
12 that are all of the same make, model, and model-year is not required  
13 to include in the advertisement the vehicle identification numbers  
14 or license numbers of those vehicles.

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

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

29 (2) The obligations imposed by paragraph (1) are satisfied by  
30 adding to the advertisement a statement containing no abbreviations  
31 and that is worded in substantially the following form: "Plus  
32 government fees and taxes, any finance charges, any dealer  
33 document preparation charge, and any emission testing charge."

34 (3) For purposes of paragraph (1), "advertisement" means an  
35 advertisement in a newspaper, magazine, or direct mail publication  
36 that is two or more columns in width or one column in width and  
37 more than seven inches in length, or on a Web page of a dealer's  
38 Internet Web site that displays the price of a vehicle offered for  
39 sale on the Internet, as that term is defined in paragraph (6) of

1 subdivision (f) of Section 17538 of the Business and Professions  
2 Code.

3 (d) Represent the dealer document preparation charge or  
4 certificate of compliance or noncompliance fee, as a governmental  
5 fee.

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

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

25 (2) This subdivision does not apply to a transaction involving  
26 the following:

27 (A) A mobilehome.

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

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

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

34 (E) A manufactured home.

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

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

1 (H) A vehicle purchased for export and exported outside the  
2 territorial limits of the United States without being registered with  
3 the department.

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

7 (i) The manufacturer or distributor of the vehicle files a  
8 bankruptcy petition.

9 (ii) The franchise agreement of the dealer is terminated,  
10 canceled, or rejected by the manufacturer or distributor as part of  
11 the bankruptcy proceedings and the termination, cancellation, or  
12 rejection is not a result of the revocation by the department of the  
13 dealer's license or the dealer's conviction of a crime.

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

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

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

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

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

33 (i) (1) Advertise vehicles, and related goods or services, at a  
34 specified dealer price, with the intent not to supply reasonably  
35 expectable demand, unless the advertisement discloses the number  
36 of vehicles in stock at the advertised price. In addition, whether  
37 or not there are sufficient vehicles in stock to supply a reasonably  
38 expectable demand, when phrases such as "starting at," "from,"  
39 "beginning as low as," or words of similar import are used in

1 reference to an advertised price, the advertisement shall disclose  
2 the number of vehicles available at that advertised price.

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

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

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

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

28 (l) Advertise a guaranteed trade-in allowance.

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

31 (n) (1) Use “invoice,” “dealer’s invoice,” “wholesale price,”  
32 or similar terms that refer to a dealer’s cost for a vehicle in an  
33 advertisement for the sale of a vehicle or advertise that the selling  
34 price of a vehicle is above, below, or at either of the following:

35 (A) The manufacturer’s or distributor’s invoice price to a dealer.

36 (B) A dealer’s cost.

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

38 (A) A communication occurring during face-to-face negotiations  
39 for the purchase of a specific vehicle if the prospective purchaser

1 initiates a discussion of the vehicle's invoice price or the dealer's  
2 cost for that vehicle.

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

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

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

18 (q) Affix on a new vehicle a supplemental price sticker  
19 containing a price that represents the dealer's asking price that  
20 exceeds the manufacturer's suggested retail price unless all of the  
21 following occur:

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

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

29 (3) The supplemental sticker lists each item that is not included  
30 in the manufacturer's suggested retail price, and discloses the  
31 additional price of each item. If the supplemental sticker price is  
32 greater than the sum of the manufacturer's suggested retail price  
33 and the price of the items added by the dealer, the supplemental  
34 sticker price shall set forth that difference and describe it as "added  
35 mark-up."

36 (r) Advertise an underselling claim, including, but not limited  
37 to, "we have the lowest prices" or "we will beat any dealer's price,"  
38 unless the dealer has conducted a recent survey showing that the  
39 dealer sells its vehicles at lower prices than another licensee in its  
40 trade area and maintains records to adequately substantiate the



1 claims. The substantiating records shall be made available to the  
2 department upon request.

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

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

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

15 (u) Fail to disclose in writing to the franchisor of a new motor  
16 vehicle dealer the name of the purchaser, date of sale, and the  
17 vehicle identification number of each new motor vehicle sold of  
18 the line-make of that franchisor, or intentionally submit to that  
19 franchisor a false name for the purchaser or false date for the date  
20 of sale.

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

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

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

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

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

1 SEC. 14. Section 11713.1 is added to the Vehicle Code, to  
2 read:

3 11713.1. It is a violation of this code for the holder of a dealer's  
4 license issued under this article to do any of the following:

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

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

25 (c) (1) Exclude from an advertisement of a vehicle for sale that  
26 there will be added to the advertised total price at the time of sale,  
27 charges for sales tax, vehicle registration fees, the California tire  
28 fee, the fee charged by the state for the issuance of a certificate of  
29 compliance or noncompliance pursuant to a statute, finance  
30 charges, a charge to electronically register or transfer the vehicle,  
31 and a dealer document processing charge.

32 (2) The obligations imposed by paragraph (1) are satisfied by  
33 adding to the advertisement a statement containing no abbreviations  
34 and that is worded in substantially the following form: "Plus  
35 government fees and taxes, any finance charges, any dealer  
36 document processing charge, any electronic filing charge, and any  
37 emission testing charge."

38 (3) For purposes of paragraph (1), "advertisement" means an  
39 advertisement in a newspaper, magazine, or direct mail publication  
40 that is two or more columns in width or one column in width and

1 more than seven inches in length, or on a Web page of a dealer's  
2 Internet Web site that displays the price of a vehicle offered for  
3 sale on the Internet, as that term is defined in paragraph (6) of  
4 subdivision (f) of Section 17538 of the Business and Professions  
5 Code.

6 (d) Represent the dealer document processing charge, electronic  
7 registration or transfer charge, or emission testing charge, as a  
8 governmental fee.

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

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

27 (2) This subdivision does not apply to a transaction involving  
28 the following:

29 (A) A mobilehome.

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

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

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

36 (E) A manufactured home.

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

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

1 (H) A vehicle purchased for export and exported outside the  
2 territorial limits of the United States without being registered with  
3 the department.

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

7 (i) The manufacturer or distributor of the vehicle files a  
8 bankruptcy petition.

9 (ii) The franchise agreement of the dealer is terminated,  
10 canceled, or rejected by the manufacturer or distributor as part of  
11 the bankruptcy proceedings and the termination, cancellation, or  
12 rejection is not a result of the revocation by the department of the  
13 dealer's license or the dealer's conviction of a crime.

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

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

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

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

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

33 (i) (1) Advertise vehicles, and related goods or services, at a  
34 specified dealer price, with the intent not to supply reasonably  
35 expectable demand, unless the advertisement discloses the number  
36 of vehicles in stock at the advertised price. In addition, whether  
37 or not there are sufficient vehicles in stock to supply a reasonably  
38 expectable demand, when phrases such as "starting at," "from,"  
39 "beginning as low as," or words of similar import are used in

1 reference to an advertised price, the advertisement shall disclose  
2 the number of vehicles available at that advertised price.

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

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

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

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

28 (l) Advertise a guaranteed trade-in allowance.

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

31 (n) (1) Use “invoice,” “dealer’s invoice,” “wholesale price,”  
32 or similar terms that refer to a dealer’s cost for a vehicle in an  
33 advertisement for the sale of a vehicle or advertise that the selling  
34 price of a vehicle is above, below, or at either of the following:

35 (A) The manufacturer’s or distributor’s invoice price to a dealer.

36 (B) A dealer’s cost.

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

38 (A) A communication occurring during face-to-face negotiations  
39 for the purchase of a specific vehicle if the prospective purchaser

1 initiates a discussion of the vehicle's invoice price or the dealer's  
2 cost for that vehicle.

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

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

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

18 (q) Affix on a new vehicle a supplemental price sticker  
19 containing a price that represents the dealer's asking price that  
20 exceeds the manufacturer's suggested retail price unless all of the  
21 following occur:

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

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

29 (3) The supplemental sticker lists each item that is not included  
30 in the manufacturer's suggested retail price, and discloses the  
31 additional price of each item. If the supplemental sticker price is  
32 greater than the sum of the manufacturer's suggested retail price  
33 and the price of the items added by the dealer, the supplemental  
34 sticker price shall set forth that difference and describe it as "added  
35 mark-up."

36 (r) Advertise an underselling claim, including, but not limited  
37 to, "we have the lowest prices" or "we will beat any dealer's price,"  
38 unless the dealer has conducted a recent survey showing that the  
39 dealer sells its vehicles at lower prices than another licensee in its  
40 trade area and maintains records to adequately substantiate the

1 claims. The substantiating records shall be made available to the  
2 department upon request.

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

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

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

15 (u) Fail to disclose in writing to the franchisor of a new motor  
16 vehicle dealer the name of the purchaser, date of sale, and the  
17 vehicle identification number of each new motor vehicle sold of  
18 the line-make of that franchisor, or intentionally submit to that  
19 franchisor a false name for the purchaser or false date for the date  
20 of sale.

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

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

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

33 (y) Sell or lease a new motor vehicle after October 1, 2012,  
34 unless the dealer has a contractual agreement with the department  
35 to be a private industry partner pursuant to Section 1685. This  
36 subdivision does not apply to the sale or lease of a motorcycle or  
37 off-highway motor vehicle subject to identification under Section  
38 38010 or a recreational vehicle as defined in Section 18010 of the  
39 Health and Safety Code.

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

5 SEC. 15. Section 11713.21 of the Vehicle Code is amended to  
6 read:

7 11713.21. (a) (1) A dealer shall not sell a used vehicle, as  
8 defined in Section 665 and subject to registration under this code,  
9 at retail to an individual for personal, family, or household use  
10 without offering the buyer a contract cancellation option agreement  
11 that allows the buyer to return the vehicle without cause. This  
12 section does not apply to a used vehicle having a purchase price  
13 of forty thousand dollars (\$40,000) or more, a motorcycle, as  
14 defined in Section 400, or a recreational vehicle, as defined in  
15 Section 18010 of the Health and Safety Code.

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

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

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

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

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

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

34 (b) To comply with subdivision (a), and notwithstanding Section  
35 2981.9 of the Civil Code, a contract cancellation option agreement  
36 shall be contained in a document separate from the conditional  
37 sales contract or other vehicle purchase agreement and shall  
38 contain, at a minimum, the following:

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



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

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

9 (4) A statement that clearly and conspicuously specifies the  
10 dollar amount of any restocking fee the buyer must pay to the  
11 dealer to exercise the right to cancel the purchase under the contract  
12 cancellation option. The restocking fee shall not exceed one  
13 hundred seventy-five dollars (\$175) if the vehicle's cash price is  
14 five thousand dollars (\$5,000) or less, three hundred fifty dollars  
15 (\$350) if the vehicle's cash price is less than ten thousand dollars  
16 (\$10,000), and five hundred dollars (\$500) if the vehicle cash price  
17 is ten thousand dollars (\$10,000) or more. The dealer shall apply  
18 toward the restocking fee the price paid by the buyer for the  
19 contract cancellation option. The price for the purchase of the  
20 contract cancellation option is not otherwise subject to setoff or  
21 refund.

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

- 31 (A) Excess mileage.
- 32 (B) Unrepaired damage.
- 33 (C) Excess wear and tear.

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

39 (7) A statement that the contract cancellation option gives the  
40 buyer the right to cancel the purchase and obtain a full refund,

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

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

1 the signed cancellation notice and retain a copy of the cancellation  
2 agreement.

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

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

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

28 (3) If the buyer was charged for the contract cancellation option  
29 agreement, the dealer shall retain any motor vehicle the buyer left  
30 with the dealer as a downpayment or trade-in until the buyer  
31 exercises the right to cancel or the right to cancel expires. If the  
32 buyer exercises the right to cancel the purchase, the dealer shall  
33 return to the buyer, no later than the day following the day on  
34 which the buyer exercises the right to cancel the purchase, any  
35 motor vehicle the buyer left with the seller as a downpayment or  
36 trade-in. If the dealer has inadvertently sold or otherwise transferred  
37 title to the motor vehicle as the result of a bona fide error,  
38 notwithstanding reasonable procedures designed to avoid that  
39 error, the inadvertent sale or transfer of title shall not be deemed  
40 a violation of this paragraph, and the full refund described in

1 paragraph (1) shall include the retail market value of the motor  
2 vehicle left as a downpayment or trade-in, or its value as stated in  
3 the contract or purchase order, whichever is greater.

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

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

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

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

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

32 SEC. 16. Section 11713.21 is added to the Vehicle Code, to  
33 read:

34 11713.21. (a) (1) A dealer shall not sell a used vehicle, as  
35 defined in Section 665 and subject to registration under this code,  
36 at retail to an individual for personal, family, or household use  
37 without offering the buyer a contract cancellation option agreement  
38 that allows the buyer to return the vehicle without cause. This  
39 section does not apply to a used vehicle having a purchase price  
40 of forty thousand dollars (\$40,000) or more, a motorcycle, as

1 defined in Section 400, or a recreational vehicle, as defined in  
2 Section 18010 of the Health and Safety Code.

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

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

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

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

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

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

22 (b) To comply with subdivision (a), and notwithstanding Section  
23 2981.9 of the Civil Code, a contract cancellation option agreement  
24 shall be contained in a document separate from the conditional  
25 sales contract or other vehicle purchase agreement and shall  
26 contain, at a minimum, the following:

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

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

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

36 (4) A statement that clearly and conspicuously specifies the  
37 dollar amount of any restocking fee the buyer must pay to the  
38 dealer to exercise the right to cancel the purchase under the contract  
39 cancellation option. The restocking fee shall not exceed one  
40 hundred seventy-five dollars (\$175) if the vehicle’s cash price is

1 five thousand dollars (\$5,000) or less, three hundred fifty dollars  
2 (\$350) if the vehicle's cash price is less than ten thousand dollars  
3 (\$10,000), and five hundred dollars (\$500) if the vehicle cash price  
4 is ten thousand dollars (\$10,000) or more. The dealer shall apply  
5 toward the restocking fee the price paid by the buyer for the  
6 contract cancellation option. The price for the purchase of the  
7 contract cancellation option is not otherwise subject to setoff or  
8 refund.

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

- 18 (A) Excess mileage.
- 19 (B) Unrepaired damage.
- 20 (C) Excess wear and tear.

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

26 (7) A statement that the contract cancellation option gives the  
27 buyer the right to cancel the purchase and obtain a full refund,  
28 minus the purchase price for the contract cancellation option  
29 agreement; and that the right to cancel will apply only if, within  
30 the time specified in the contract cancellation option agreement,  
31 the following are personally delivered to the selling dealer by the  
32 buyer: a written notice exercising the right to cancel the purchase  
33 signed by the buyer; any restocking fee specified in the contract  
34 cancellation option agreement minus the purchase price for the  
35 contract cancellation option agreement; the original contract  
36 cancellation option agreement and vehicle purchase contract and  
37 related documents, if the seller gave those original documents to  
38 the buyer; all original vehicle titling and registration documents,  
39 if the seller gave those original documents to the buyer; and the  
40 vehicle, free of all liens and encumbrances, other than any lien or

1 encumbrance created by or incidental to the conditional sales  
2 contract, any loan arranged by the dealer, or any purchase money  
3 loan obtained by the buyer from a third party, and in the same  
4 condition as when it was delivered by the dealer to the buyer,  
5 reasonable wear and tear and any defect or mechanical problem  
6 that manifests or becomes evident after delivery that was not caused  
7 by the buyer excepted, and which must not have been driven  
8 beyond the mileage limit specified in the contract cancellation  
9 option agreement. The agreement may also provide that the buyer  
10 will execute documents reasonably necessary to effectuate the  
11 cancellation and refund and as reasonably required to comply with  
12 applicable law.

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

29 (9) If, pursuant to paragraph (5), the limit on the restocking fee  
30 is increased by the amount the buyer, who exercises a contract  
31 cancellation option would have been obligated to pay the lessor,  
32 upon termination of the lease, for charges for excess mileage,  
33 unrepaired damage, or excess wear and tear, as specified in the  
34 lease, the dealer shall provide the buyer with a notice of the  
35 contents of paragraph (5), including a statement regarding the  
36 increased restocking fee.

37 (c) (1) No later than the second day following the day on which  
38 the buyer exercises the right to cancel the purchase in compliance  
39 with the contract cancellation option agreement, the dealer shall  
40 cancel the contract and provide the buyer with a full refund,

1 including that portion of the sales tax attributable to amounts  
2 excluded pursuant to Section 6012.3 of the Revenue and Taxation  
3 Code.

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

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

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

34 (e) Notwithstanding subdivision (a), a dealer is not required to  
35 offer a contract cancellation option agreement to an individual  
36 who exercised his or her right to cancel the purchase of a vehicle  
37 from the dealer pursuant to a contract cancellation option agreement  
38 during the immediately preceding 30 days. A dealer is not required  
39 to give notice to a subsequent buyer of the return of a vehicle



1 pursuant to this section. This subdivision does not abrogate or limit  
2 any disclosure obligation imposed by any other law.

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

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

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

16 SEC. 17. Section 11713.26 is added to the Vehicle Code, to  
17 read:

18 11713.26. (a) A dealer shall not display or offer for sale at  
19 retail a used vehicle, as defined in Section 665 and subject to  
20 registration under this code, unless the dealer first obtains a  
21 NMVTIS vehicle history report from a NMVTIS data provider for  
22 the vehicle identification number of the vehicle.

23 (b) If a NMVTIS vehicle history report for a used vehicle  
24 indicates that the vehicle is or has been a junk automobile or a  
25 salvage automobile or the vehicle has been reported as a junk  
26 automobile or a salvage automobile by a junk yard, salvage yard,  
27 or insurance carrier pursuant to Section 30504 of Title 49 of the  
28 United States Code, or the certificate of title contains a brand, a  
29 dealer shall do both of the following:

30 (1) Post the following disclosure on the vehicle while it is  
31 displayed for sale at retail in at least 14-point bold black type,  
32 except for the title "Warning" which shall be in at least 18-point  
33 bold black type, on at least a 4 x 5.5 inch red background in close  
34 proximity to the Federal Trade Commission's Buyer's Guide:

35

36 "WARNING

37 According to a vehicle history report issued by the National  
38 Motor Vehicle Title Information System (NMVTIS), this vehicle  
39 has been reported as a junk or a salvage automobile or has a title  
40 brand which may materially affect the value, safety, and/or

1 condition of the vehicle. Because of its history as a junk, salvage,  
2 or title-branded vehicle, the manufacturer’s warranty or service  
3 contract on this vehicle may be affected. Ask the dealer to see a  
4 copy of the NMVTIS vehicle history report. You may  
5 independently obtain the report by checking NMVTIS online at  
6 ~~www.vehiclehistory.gov.~~ *www.vehiclehistory.gov.*”

7  
8 (2) Provide the retail purchaser with a copy of the NMVTIS  
9 vehicle history report upon request prior to sale.

10 (c) Subdivisions (a) and (b) do not apply to a used vehicle for  
11 which NMVTIS does not have a record if the dealer attempts to  
12 obtain a NMVTIS vehicle history report for the vehicle.

13 (d) As used in this section the following terms have the  
14 following meanings:

15 (1) “NMVTIS” means the National Motor Vehicle Title  
16 Information System established pursuant to Section 30501 et seq.  
17 of Title 49 of the United States Code.

18 (2) “NMVTIS vehicle history report” means a report obtained  
19 by an NMVTIS data provider that contains:

20 (A) The date of the report.

21 (B) Any disclaimer required by the operator of NMVTIS.

22 (C) If available from NMVTIS, information establishing the  
23 following:

24 (i) Whether the vehicle is titled in a particular state.

25 (ii) Whether the title to the vehicle was branded by a state.

26 (iii) The validity and status of a document purporting to be a  
27 certificate of title for the vehicle.

28 (iv) Whether the vehicle is or has been a junk automobile or a  
29 salvage automobile.

30 (v) The odometer mileage disclosure required pursuant to  
31 Section 32705 of Title 49 of the United States Code for that vehicle  
32 on the date the certificate of title for that vehicle was issued and  
33 any later mileage information.

34 (vi) Whether the vehicle has been reported as a junk automobile  
35 or a salvage automobile pursuant to Section 30504 of Title 49 of  
36 the United States Code.

37 (3) “Junk automobile,” “operator,” and “salvage automobile”  
38 shall have the same meanings as defined in Section 25.52 of Title  
39 28 of the Code of Federal Regulations.

1 (4) “NMVTIS data provider” means a person authorized by the  
2 NMVTIS operator as an access portal provider for NMVTIS.

3 (5) “NMVTIS operator” means the individual or entity  
4 authorized or designated as the operator of NMVTIS pursuant to  
5 subdivision (b) of Section 30502 of Title 49 of the United States  
6 Code, or the office designated by the United States Attorney  
7 General, if there is no authorized or designated individual or entity.

8 (e) A dealer shall not be liable for any errors or omissions  
9 contained in a NMVTIS vehicle history report that is obtained  
10 from a NMVTIS data provider, or for failure to provide information  
11 added to NMVTIS after the dealer obtained the NMVTIS vehicle  
12 history report pursuant to subdivision (a).

13 (f) (1) This section shall become inoperative on the date that  
14 all NMVTIS data providers cease to make NMVTIS history reports  
15 available to the public.

16 (2) It is the intent of the Legislature that the United States  
17 Department of Justice notify the Legislature and the department  
18 when all NMVTIS data providers cease to make NMVTIS history  
19 reports available to the public.

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

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