

AMENDED IN SENATE AUGUST 18, 2011
AMENDED IN SENATE AUGUST 15, 2011
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

ASSEMBLY BILL

No. 1215

**Introduced by Assembly Member Blumenfield
(Coauthor: Assembly Member Yamada)**

February 18, 2011

An act to amend, repeal, and add Sections 2982 and 2985.8 of the Civil Code, and to amend, repeal, and add Sections 4456, 5202, 11713.1, and 11713.21 of, and to add Sections 4456.4, 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 charges that a dealer may charge the purchaser or lessee of a vehicle.

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

The bill would, beginning July 1, 2012, prohibit a dealer from displaying or offering for sale at retail a used vehicle unless the dealer first obtains a *vehicle history* 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 *specified* disclosure, ~~as provided~~ and provide the retail purchaser with a copy of the report upon request prior to sale. These requirements associated with obtaining ~~an~~ a NMVTIS *vehicle history* report would become inoperative if all NMVTIS data providers cease to make NMVTIS ~~vehicle history~~ these reports available to the public.

Because

(2) *Because* this bill would create new crimes, the bill would impose a state-mandated local program.

(2)

(3) 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.

(d) It is the intent of the Legislature in enacting this act to further increase the registration benefits and efficiencies of the department's Business Partner Automation Program by requiring all eligible vehicles sold or leased by a new motor vehicle dealer to be registered electronically. It is also the intent of the Legislature that the department continues to improve and expand the quality and efficiency of the Business Partner Automation Program to permit existing department personnel to increase customer service in other areas without a workforce reduction.

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

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

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

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

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

(e) Federal law provides that NMVTIS must be supported through user fees from government and private users and may not be dependent on federal funding. The NMVTIS operator is authorized to assess and collect user fees not to exceed the cost of operating the system, not permitting any profits to be made by the operator. Federal funding and investments by the NMVTIS operator account for over \$40 million in support of operations since 1997. Fees to state government users are not projected to be adequate to provide sufficient revenue to defray all anticipated

operating costs. It is crucial to the success of NMVTIS that new applications be developed to generate sufficient nonstate government user fees so that NMVTIS may continue its operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 ⅙ 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:

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

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

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

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

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

(D) A charge for a theft deterrent device.

(E) A charge for a surface protection product.

(F) Taxes imposed on the sale.

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

(H) The amount charged for a service contract.

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

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

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.

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

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

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

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

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

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

Buyer’s Signature”

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

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

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

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

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

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

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

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

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

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

(q) The contract shall disclose on its face, by printing the word "new" or "used" within a box outlined in red, that is not smaller than one-half inch high and one-half inch wide, whether the vehicle 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:

“GAP LIABILITY NOTICE

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

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

SEC. 6. Section 2985.8 is added to the Civil Code, to read:

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

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

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

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

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

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

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

(C) The premium for each policy of insurance.

(D) The amount charged for each service contract.

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

(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

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

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

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

(A) The name and address of the seller.

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

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

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

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

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

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

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

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

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

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

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

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

SEC. 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.

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

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

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

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

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

(A) If a dealer has a contractual agreement with the department to be a private industry partner pursuant to Section 1685, the document processing charge shall not exceed eighty dollars (\$80).

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

(2) An electronic filing charge, not to exceed the actual amount the dealer is charged by a first-line service provider for providing license plate processing, postage, and the fees and services authorized pursuant to subdivisions (a) and (d) of Section 1685. The director may establish, through the adoption of regulations, the maximum amount that a first-line service provider may charge a dealer. The electronic filing charge shall not be represented as a governmental fee.

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

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

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

1 5202. (a) A license plate issued by this state or any other
2 jurisdiction within or without the United States shall remain
3 attached during the period of its validity to the vehicle for which
4 it is issued while being operated within this state or during the time
5 the vehicle is being held for sale in this state, or until the time that
6 a vehicle with special or identification plates is no longer entitled
7 to those plates; and a person shall not operate, nor shall an owner
8 knowingly permit to be operated, upon a highway a vehicle unless
9 the license plate is so attached. Special permits issued in lieu of
10 plates shall be attached and displayed on the vehicle for which
11 issued during the period of their validity.

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

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

17 5202. (a) A license plate issued by this state or any other
18 jurisdiction within or without the United States shall be attached
19 upon receipt and remain attached during the period of its validity
20 to the vehicle for which it is issued while being operated within
21 this state or during the time the vehicle is being held for sale in
22 this state, or until the time that a vehicle with special or
23 identification plates is no longer entitled to those plates; and a
24 person shall not operate, and an owner shall not knowingly permit
25 to be operated, upon any highway, a vehicle unless the license
26 plate is so attached. A special permit issued in lieu of plates shall
27 be attached and displayed on the vehicle for which the permit was
28 issued during the period of the permit's validity.

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

30 SEC. 13. Section 11713.1 of the Vehicle Code is amended to
31 read:

32 11713.1. It is a violation of this code for the holder of a dealer's
33 license issued under this article to do any of the following:

34 (a) Advertise a specific vehicle for sale without identifying the
35 vehicle by its model, model-year, and either its license number or
36 that portion of the vehicle identification number that distinguishes
37 the vehicle from all other vehicles of the same make, model, and
38 model-year. Model-year is not required to be advertised for current
39 model-year vehicles. Year models are no longer current when
40 ensuing year models are available for purchase at retail in

1 California. An advertisement that offers for sale a class of new
2 vehicles in a dealer's inventory, consisting of five or more vehicles,
3 that are all of the same make, model, and model-year is not required
4 to include in the advertisement the vehicle identification numbers
5 or license numbers of those vehicles.

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

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

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

25 (3) For purposes of paragraph (1), "advertisement" means an
26 advertisement in a newspaper, magazine, or direct mail publication
27 that is two or more columns in width or one column in width and
28 more than seven inches in length, or on a Web page of a dealer's
29 Internet Web site that displays the price of a vehicle offered for
30 sale on the Internet, as that term is defined in paragraph (6) of
31 subdivision (f) of Section 17538 of the Business and Professions
32 Code.

33 (d) Represent the dealer document preparation charge or
34 certificate of compliance or noncompliance fee, as a governmental
35 fee.

36 (e) Fail to sell a vehicle to a person at the advertised total price,
37 exclusive of taxes, vehicle registration fees, the California tire fee,
38 the fee charged by the state for the issuance of a certificate of
39 compliance or noncompliance pursuant to a statute, finance
40 charges, mobilehome escrow fees, the amount of a city, county,

1 or city and county imposed fee or tax for a mobilehome, and a
2 dealer document preparation charge, which charges shall not exceed
3 fifty-five dollars (\$55) for the document preparation charge and
4 not to exceed fifty dollars (\$50) for emission testing plus the actual
5 fees charged for certificates pursuant to Section 44060 of the Health
6 and Safety Code, while the vehicle remains unsold, unless the
7 advertisement states the advertised total price is good only for a
8 specified time and the time has elapsed. Advertised vehicles shall
9 be sold at or below the advertised total price, with statutorily
10 permitted exclusions, regardless of whether the purchaser has
11 knowledge of the advertised total price.

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

15 (2) This subdivision does not apply to a transaction involving
16 the following:

17 (A) A mobilehome.

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

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

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

24 (E) A manufactured home.

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

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

29 (H) A vehicle purchased for export and exported outside the
30 territorial limits of the United States without being registered with
31 the department.

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

35 (i) The manufacturer or distributor of the vehicle files a
36 bankruptcy petition.

37 (ii) The franchise agreement of the dealer is terminated,
38 canceled, or rejected by the manufacturer or distributor as part of
39 the bankruptcy proceedings and the termination, cancellation, or

1 rejection is not a result of the revocation by the department of the
2 dealer's license or the dealer's conviction of a crime.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (B) A dealer’s cost.

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

26 (A) A communication occurring during face-to-face negotiations
27 for the purchase of a specific vehicle if the prospective purchaser
28 initiates a discussion of the vehicle’s invoice price or the dealer’s
29 cost for that vehicle.

30 (B) A communication between a dealer and a prospective
31 commercial purchaser that is not disseminated to the general public.
32 For purposes of this subparagraph, a “commercial purchaser”
33 means a dealer, lessor, lessor-retailer, manufacturer,
34 remanufacturer, distributor, financial institution, governmental
35 entity, or person who purchases 10 or more vehicles during a year.

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

1 (p) Make an untrue or misleading statement indicating that a
2 vehicle is equipped with all the factory-installed optional equipment
3 the manufacturer offers, including, but not limited to, a false
4 statement that a vehicle is “fully factory equipped.”

5 (q) Affix on a new vehicle a supplemental price sticker
6 containing a price that represents the dealer’s asking price that
7 exceeds the manufacturer’s suggested retail price unless all of the
8 following occur:

9 (1) The supplemental sticker clearly and conspicuously discloses
10 in the largest print appearing on the sticker, other than the print
11 size used for the dealer’s name, that the supplemental sticker price
12 is the dealer’s asking price, or words of similar import, and that it
13 is not the manufacturer’s suggested retail price.

14 (2) The supplemental sticker clearly and conspicuously discloses
15 the manufacturer’s suggested retail price.

16 (3) The supplemental sticker lists each item that is not included
17 in the manufacturer’s suggested retail price, and discloses the
18 additional price of each item. If the supplemental sticker price is
19 greater than the sum of the manufacturer’s suggested retail price
20 and the price of the items added by the dealer, the supplemental
21 sticker price shall set forth that difference and describe it as “added
22 mark-up.”

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

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

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

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

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

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

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

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

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

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

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

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

(a) Advertise a specific vehicle for sale without identifying the vehicle by its model, model-year, and either its license number or that portion of the vehicle identification number that distinguishes the vehicle from all other vehicles of the same make, model, and model-year. Model-year is not required to be advertised for current model-year vehicles. Year models are no longer current when ensuing year models are available for purchase at retail in California. An advertisement that offers for sale a class of new

1 vehicles in a dealer's inventory, consisting of five or more vehicles,
2 that are all of the same make, model, and model-year is not required
3 to include in the advertisement the vehicle identification numbers
4 or license numbers of those vehicles.

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

13 (c) (1) Exclude from an advertisement of a vehicle for sale that
14 there will be added to the advertised total price at the time of sale,
15 charges for sales tax, vehicle registration fees, the California tire
16 fee, the fee charged by the state for the issuance of a certificate of
17 compliance or noncompliance pursuant to a statute, finance
18 charges, a charge to electronically register or transfer the vehicle,
19 and a dealer document processing charge.

20 (2) The obligations imposed by paragraph (1) are satisfied by
21 adding to the advertisement a statement containing no abbreviations
22 and that is worded in substantially the following form: "Plus
23 government fees and taxes, any finance charges, any dealer
24 document processing charge, any electronic filing charge, and any
25 emission testing charge."

26 (3) For purposes of paragraph (1), "advertisement" means an
27 advertisement in a newspaper, magazine, or direct mail publication
28 that is two or more columns in width or one column in width and
29 more than seven inches in length, or on a Web page of a dealer's
30 Internet Web site that displays the price of a vehicle offered for
31 sale on the Internet, as that term is defined in paragraph (6) of
32 subdivision (f) of Section 17538 of the Business and Professions
33 Code.

34 (d) Represent the dealer document processing charge, electronic
35 registration or transfer charge, or emission testing charge, as a
36 governmental fee.

37 (e) Fail to sell a vehicle to a person at the advertised total price,
38 exclusive of taxes, vehicle registration fees, the California tire fee,
39 the fee charged by the state for the issuance of a certificate of
40 compliance or noncompliance pursuant to a statute, finance

1 charges, mobilehome escrow fees, the amount of a city, county,
2 or city and county imposed fee or tax for a mobilehome, a dealer
3 document processing charge, an electronic registration or transfer
4 charge, and a charge for emission testing not to exceed fifty dollars
5 (\$50) plus the actual fees charged for certificates pursuant to
6 Section 44060 of the Health and Safety Code, while the vehicle
7 remains unsold, unless the advertisement states the advertised total
8 price is good only for a specified time and the time has elapsed.
9 Advertised vehicles shall be sold at or below the advertised total
10 price, with statutorily permitted exclusions, regardless of whether
11 the purchaser has knowledge of the advertised total price.

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

15 (2) This subdivision does not apply to a transaction involving
16 the following:

17 (A) A mobilehome.

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

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

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

24 (E) A manufactured home.

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

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

29 (H) A vehicle purchased for export and exported outside the
30 territorial limits of the United States without being registered with
31 the department.

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

35 (i) The manufacturer or distributor of the vehicle files a
36 bankruptcy petition.

37 (ii) The franchise agreement of the dealer is terminated,
38 canceled, or rejected by the manufacturer or distributor as part of
39 the bankruptcy proceedings and the termination, cancellation, or

1 rejection is not a result of the revocation by the department of the
2 dealer's license or the dealer's conviction of a crime.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (B) A dealer’s cost.

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

26 (A) A communication occurring during face-to-face negotiations
27 for the purchase of a specific vehicle if the prospective purchaser
28 initiates a discussion of the vehicle’s invoice price or the dealer’s
29 cost for that vehicle.

30 (B) A communication between a dealer and a prospective
31 commercial purchaser that is not disseminated to the general public.
32 For purposes of this subparagraph, a “commercial purchaser”
33 means a dealer, lessor, lessor-retailer, manufacturer,
34 remanufacturer, distributor, financial institution, governmental
35 entity, or person who purchases 10 or more vehicles during a year.

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

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

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

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

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

(3) The supplemental sticker lists each item that is not included in the manufacturer’s suggested retail price, and discloses the additional price of each item. If the supplemental sticker price is greater than the sum of the manufacturer’s suggested retail price and the price of the items added by the dealer, the supplemental sticker price shall set forth that difference and describe it as “added mark-up.”

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

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

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

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

4 (u) Fail to disclose in writing to the franchisor of a new motor
5 vehicle dealer the name of the purchaser, date of sale, and the
6 vehicle identification number of each new motor vehicle sold of
7 the line-make of that franchisor, or intentionally submit to that
8 franchisor a false name for the purchaser or false date for the date
9 of sale.

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

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

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

22 (y) Sell or lease a new motor vehicle after October 1, 2012,
23 unless the dealer has a contractual agreement with the department
24 to be a private industry partner pursuant to Section 1685. This
25 subdivision does not apply to the sale or lease of a motorcycle or
26 off-highway motor vehicle subject to identification under Section
27 38010 or a recreational vehicle as defined in Section 18010 of the
28 Health and Safety Code.

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

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

33 SEC. 15. Section 11713.21 of the Vehicle Code is amended to
34 read:

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

1 of forty thousand dollars (\$40,000) or more, a motorcycle, as
2 defined in Section 400, or a recreational vehicle, as defined in
3 Section 18010 of the Health and Safety Code.

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

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

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

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

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

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

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 under
25 paragraph (6). The dealer shall provide the buyer with the statement
26 required by this paragraph in duplicate to enable the buyer to return
27 the signed cancellation notice and retain a copy of the cancellation
28 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 inoperative on July 1, 2012, and,
16 as of January 1, 2013, is repealed, unless a later enacted statute
17 that is enacted before January 1, 2013, deletes or extends the dates
18 on which it becomes inoperative and is repealed.

19 SEC. 16. Section 11713.21 is added to the Vehicle Code, to
20 read:

21 11713.21. (a) (1) A dealer shall not sell a used vehicle, as
22 defined in Section 665 and subject to registration under this code,
23 at retail to an individual for personal, family, or household use
24 without offering the buyer a contract cancellation option agreement
25 that allows the buyer to return the vehicle without cause. This
26 section does not apply to a used vehicle having a purchase price
27 of forty thousand dollars (\$40,000) or more, a motorcycle, as
28 defined in Section 400, or a recreational vehicle, as defined in
29 Section 18010 of the Health and Safety Code.

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

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

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

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

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

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

10 (b) To comply with subdivision (a), and notwithstanding Section
11 2981.9 of the Civil Code, a contract cancellation option agreement
12 shall be contained in a document separate from the conditional
13 sales contract or other vehicle purchase agreement and shall
14 contain, at a minimum, the following:

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

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

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

24 (4) A statement that clearly and conspicuously specifies the
25 dollar amount of any restocking fee the buyer must pay to the
26 dealer to exercise the right to cancel the purchase under the contract
27 cancellation option. The restocking fee shall not exceed one
28 hundred seventy-five dollars (\$175) if the vehicle’s cash price is
29 five thousand dollars (\$5,000) or less, three hundred fifty dollars
30 (\$350) if the vehicle’s cash price is less than ten thousand dollars
31 (\$10,000), and five hundred dollars (\$500) if the vehicle cash price
32 is ten thousand dollars (\$10,000) or more. The dealer shall apply
33 toward the restocking fee the price paid by the buyer for the
34 contract cancellation option. The price for the purchase of the
35 contract cancellation option is not otherwise subject to setoff or
36 refund.

37 (5) Notwithstanding paragraph (4), when a buyer, who leased
38 the purchased vehicle immediately preceding the dealer’s sale of
39 the vehicle to the buyer, exercises the contract cancellation option,
40 the limit on the amount of a restocking fee required to be paid by

1 the buyer shall be increased. That increased amount shall be the
2 amount the buyer would have been obligated to pay the lessor, at
3 the time of the termination of the lease, for the following charges,
4 as specified in the lease, and as if the buyer had not purchased the
5 contract cancellation option:

6 (A) Excess mileage.

7 (B) Unrepaired damage.

8 (C) Excess wear and tear.

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

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

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

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

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

(2) If the buyer was not charged for the contract cancellation option agreement, the dealer shall return to the buyer, no later than the day following the day on which the buyer exercises the right to cancel the purchase, any motor vehicle the buyer left with the seller as a downpayment or trade-in. If the dealer has sold or otherwise transferred title to the motor vehicle that was left as a downpayment or trade-in, the full refund described in paragraph (1) shall include the fair market value of the motor vehicle left as

1 a downpayment or trade-in, or its value as stated in the contract
2 or purchase order, whichever is greater.

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

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

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

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

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

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

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

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

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

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

"WARNING

According to a vehicle history report issued by the National Motor Vehicle Title Information System (NMVTIS), this vehicle has been reported as a ~~junk or a salvage automobile~~ *total-loss vehicle by an insurance company, has been reported into NMVTIS by a junk or salvage reporting entity*, or has a title brand which may materially affect the value, safety, and/or condition of the vehicle. Because of its history as a junk, salvage, or title-branded vehicle, the manufacturer's warranty or service contract on this vehicle may be affected. Ask the dealer to see a copy of the NMVTIS vehicle history report. You may independently obtain the report by checking NMVTIS online at www.vehiclehistory.gov."

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

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

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

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

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

(A) The date of the report.

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

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

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

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

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

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

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

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

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

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

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

(e) Nothing in this section shall prohibit a NMVTIS data provider from including, in a NMVTIS vehicle history report containing the information required by paragraph (2) of subdivision

1 (d), additional vehicle history information obtained from resources
2 other than NMVTIS.

3 (f) This section shall not create any legal duty upon the dealer
4 related to the accuracy, errors, or omissions contained in a
5 NMVTIS vehicle history report that is obtained from a NMVTIS
6 data provider or any legal duty to provide information added to
7 NMVTIS after the dealer obtained the NMVTIS vehicle history
8 report pursuant to subdivision (a).

9 (g) (1) In the event that all NMVTIS data providers cease to
10 make NMVTIS vehicle history reports available to the public, this
11 section shall become inoperative.

12 (2) In the event that all NMVTIS data providers cease to make
13 NMVTIS vehicle history reports available to the public, it is the
14 intent of the Legislature that the United States Department of
15 Justice notify the Legislature and the department.

16 (h) This section does not apply to the sale of a recreational
17 vehicle, a motorcycle, or an off-highway motor vehicle subject to
18 identification under Section 38010.

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

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.