

number is 7100-0202. OMB has deemed that inclusion of the OMB control number in this preamble satisfies this requirement.

The Board estimates that the annual burden for state member banks will increase from 9,272 hours to 10,786 hours. The Board estimates that the average length of time to disclose the costs and terms to a consumer will increase from fifteen minutes to seventeen minutes. The Board also estimates that the average length of time to prepare basic lease information for inclusion in all advertisements will decrease from thirty minutes to twenty-five minutes.

The Board has found that few state member banks engage in consumer leasing and that while the prevalence of leasing has increased in recent years, it has not increased substantially among state member banks. It also has been found that among state member banks that engage in consumer leasing, only a very few advertise consumer leases. For estimates of the annual burden imposed on other institutions that engage in consumer leasing, please contact their regulator.

List of Subjects in 12 CFR Part 213

Advertising, Federal Reserve System, Reporting and recordkeeping requirements, Truth in lending.

For the reasons set forth in the preamble, the Board proposes to amend 12 CFR part 213 as follows:

PART 213—CONSUMER LEASING (REGULATION M)

1. The authority citation for part 213 continues to read as follows:

Authority: 15 U.S.C. 1604.

2. The table of contents to part 213 is revised to read as follows:

Sec.	
213.1	Authority, scope, purpose, and enforcement.
213.2	Definitions.
213.3	Exempt transactions.
213.4	General disclosure requirements.
213.5	Content of disclosures.
213.6	Renegotiations, extensions, and assumptions.
213.7	[Reserved].
213.8	Advertising.
213.9	Record retention.
213.10	Relation to State laws.
Appendix A	to Part 213—Model Forms
Appendix B	to Part 213—Federal Enforcement Agencies
Appendix C	to Part 213—Issuance of Staff Interpretations
Supplement I-CL-1	to Part 213—Official Staff Commentary to Regulation M

3. Part 213 would be amended as follows:

- a. Sections 213.1 through 213.6 are revised;
- b. Section 213.7 is removed and reserved;
- c. Section 213.8 is revised;
- d. Sections 213.9 and 213.10 are added;
- e. Appendices A through C are revised; and
- f. Appendix D is removed.

The revisions and additions read as follows:

§ 213.1 Authority, scope, purpose, and enforcement.

(a) *Authority.* The regulation in this part, known as Regulation M, is issued by the Board of Governors of the Federal Reserve System to implement the consumer leasing provisions of the Truth in Lending Act, which is Title I of the Consumer Credit Protection Act, as amended (15 U.S.C. 1601 *et seq.*).

(b) *Scope and purpose.* This part applies to all persons who are lessors of consumer leases as defined in § 213.2(a) (6) and (10). The purpose of this part is:

- (1) To ensure that lessees of personal property receive meaningful disclosures that enable them to compare lease terms with other leases and with credit transactions, where appropriate;
- (2) To limit the amount of balloon payments in consumer lease transactions; and
- (3) To provide for the accurate disclosure of lease terms in advertising.

(c) *Enforcement and liability.* Section 108 of the act contains the administrative enforcement provisions. Sections 112, 130, 131, and 185 of the act contain the liability provisions for failing to comply with the requirements of the act and this part.

§ 213.2 Definitions.

(a) *Definitions.* For the purposes of this part the following definitions apply:

- (1) *Act* means the Truth in Lending Act (15 U.S.C. 1601 *et seq.*).
- (2) *Advertisement* means a commercial message in any medium that directly or indirectly promotes a consumer lease transaction.
- (3) *Agricultural purpose* means a purpose related to the production, harvest, exhibition, marketing, transportation, processing, or manufacture of agricultural products including but not limited to the acquisition of personal property and services used primarily in farming.
- (4) *Board* refers to the Board of Governors of the Federal Reserve System.
- (5) *Closed-end lease* means a consumer lease other than an open-end lease as defined in this section.
- (6) *Consumer lease* means a contract in the form of a bailment or lease for the

use of personal property by a natural person primarily for personal, family, or household purposes, for a period exceeding four months and for a total contractual obligation not exceeding \$25,000, whether or not the lessee has the option to purchase or otherwise become the owner of the property at the expiration of the lease. It does not include a lease that meets the definition of a credit sale in Regulation Z, 12 CFR 226.2(a). It also does not include a lease for agricultural, business, or commercial purposes or a lease made to an organization. Unless the context indicates otherwise in this part, "lease" shall be construed to mean "consumer lease."

(7) *Estimated lease charge* means the estimated total dollar amount of the cost of the lease attributable to interest and other charges regardless of when such charges are paid, as calculated under § 213.5(q).

(8) *Gross cost* means the total dollar amount of all items included in the value of a lease at consummation, including but not limited to the base price of the leased property and any other items added to that price, such as any markup by the lessor, taxes, insurance, service agreements, and any outstanding balance from a prior lease that is included in the new lease.

(9) *Lessee* means a natural person who leases or who is offered a consumer lease.

(10) *Lessor* means a person who regularly leases, offers to lease, or arranges for the lease of personal property under a consumer lease. A person who leased, offered, or arranged to lease personal property more than five times in the preceding calendar year is subject to the act and this part; if a person did not meet this numerical test in the preceding calendar year, the numerical test is applied to the current year.

(11) *Open-end lease* means a consumer lease in which the lessee's liability at the end of the lease term is based on the difference between the estimated value of the leased property and its realized value.

(12) *Organization* means a corporation, trust, estate, partnership, cooperative, association, or government entity or instrumentality.

(13) *Person* means a natural person or an organization.

(14) *Personal property* means any property that is not real property under the law of the state where the property is located at the time it is offered or made available for lease.

(15) *Realized value* means:

- (i) The price received by the lessor for the leased property at disposition;