

# HB5177



## 101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

HB5177

by Rep. Daniel Didech

### SYNOPSIS AS INTRODUCED:

815 ILCS 636/25  
815 ILCS 636/45

Amends the Motor Vehicle Leasing Act. Provides that a lessee is not liable for charges for the early termination of a lease agreement if the lessee has died before the end of the lease.

LRB101 18451 JLS 67899 b

A BILL FOR

1 AN ACT concerning business.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Motor Vehicle Leasing Act is amended by  
5 changing Sections 25 and 45 as follows:

6 (815 ILCS 636/25)

7 Sec. 25. Requirements for a consumer lease.

8 (a) A consumer lease shall be in writing and signed by the  
9 lessor and the lessee.

10 (b) The printed portion of the consumer lease, other than  
11 directions for completion of the consumer lease, shall be  
12 printed in a size equal to at least eight-point type. The  
13 consumer lease shall contain the following items printed or  
14 written in a conspicuous manner:

15 (1) At the top of the consumer lease, in at least  
16 10-point bold capitalized type, the words "MOTOR VEHICLE  
17 LEASE AGREEMENT".

18 (2) If physical damage or liability insurance coverage  
19 for bodily injury and property damage caused to others is  
20 not included in the consumer lease, a notice in at least  
21 10-point bold capitalized type, substantially similar to  
22 the following: "NO PHYSICAL DAMAGE OR LIABILITY INSURANCE  
23 COVERAGE FOR BODILY INJURY OR PROPERTY DAMAGE CAUSED TO

1 OTHERS IS INCLUDED IN THIS LEASE."

2 (3) Directly above the acknowledgement permitted by  
3 subsection (c) of this Section to appear above the space  
4 reserved for the lessee's signature, a written notice  
5 substantially similar to the following:

6 "NOTICE TO THE LESSEE: This is a lease. You have no  
7 ownership rights in the vehicle unless and until you  
8 exercise your option to purchase the vehicle, if this  
9 lease contains a purchase option. Do not sign this  
10 lease before you read it. Early termination may require  
11 you to pay a substantial amount. You are entitled to a  
12 completed copy of this lease when you sign it."

13 (4) If the lease contains a provision imposing a fee or  
14 penalty for early termination of the lease, a notice in at  
15 least 10-point bold capitalized type stating: "THE LESSEE  
16 IS NOT LIABLE FOR AN EARLY TERMINATION FEE IF THE LESSEE  
17 HAS DIED BEFORE THE END OF THE LEASE.".

18 (c) The lessor shall deliver to the lessee a completed copy  
19 of the consumer lease signed by the lessor. Any acknowledgement  
20 by the lessee of delivery of a copy of the consumer lease shall  
21 be conspicuous and shall appear directly above the space  
22 reserved for the lessee's signature.

23 (d) The consumer lease shall contain the names of the  
24 lessor and the lessee, the place of business of the lessor, the  
25 residence or place of business of the lessee as specified by  
26 the lessee, and a description of the vehicle, including its

1 make, model year, model, and, if known, the vehicle's  
2 identification number or marks.

3 (e) The consumer lease shall contain the following:

4 (1) All items required to be disclosed by the Consumer  
5 Leasing Act and, in addition, the following items if the  
6 items or substantially similar items are not required to be  
7 disclosed by the Consumer Leasing Act.

8 (2) The capitalized cost, identified as "capitalized  
9 cost", and a descriptive explanation such as "the agreed  
10 upon amount determined at lease inception for all items and  
11 services included in the lease".

12 (3) Any capitalized cost reduction, using the term  
13 "capitalized cost reduction".

14 (4) The adjusted capitalized cost, using the term  
15 "adjusted capitalized cost" and a descriptive explanation,  
16 as applicable, such as "the agreed upon amount which serves  
17 as the basis for determining the base lease payment. If you  
18 are not in default, this amount plus any applicable early  
19 termination charges determines your maximum early  
20 termination obligation".

21 (5) If the lessee is not permitted to terminate the  
22 lease at any time, the consumer lease shall contain a  
23 conspicuous statement setting forth any prohibitions upon  
24 the lessee's ability to terminate the consumer lease at any  
25 time before the end of the scheduled term.

26 (6) The vehicle's residual value, using the term

1 "residual value".

2 (f) (1) (A) Any insurance for which a charge is included in  
3 the consumer lease shall be issued by an insurance  
4 company authorized to do that kind of insurance  
5 business in this State.

6 (B) The lessee shall have the privilege of  
7 purchasing the insurance from an agent or broker of the  
8 lessee's own selection and of selecting an insurance  
9 company acceptable to the lessor provided, however,  
10 that the inclusion of the insurance premium in the  
11 consumer lease when the lessee selects the agent,  
12 broker, or company shall be optional with the lessor  
13 and in such case the lessor or assignee shall have no  
14 obligation to send or cause to be sent to the lessee a  
15 copy of the insurance policy.

16 (2) If the policy of liability insurance or other  
17 insurance on the vehicle is canceled, any unearned  
18 insurance premium refund received by the holder shall be  
19 either (i) refunded to the lessee or (ii) credited,  
20 together with the unearned portion of the lease charge  
21 applicable thereto, to the lessee's obligations,  
22 including, without limitation, to the final maturing lease  
23 payments or, at the holder's option, to the obligations of  
24 the lessee upon early or scheduled termination except to  
25 the extent applied toward payment for similar insurance  
26 protecting the interests of the lessee and the holder or

1           either of them, provided that no such credit or refund need  
2           be made if the amount thereof would be less than one  
3           dollar.

4           (3) The amount, if any, included as a charge for group  
5           credit insurance, liability insurance, or other insurance  
6           on the vehicle shall not exceed the premiums permitted by  
7           law for the insurance. If the group credit or other  
8           insurance is canceled, the refund for unearned insurance  
9           premiums received by the holder shall be either (i)  
10          refunded to the lessee or (ii) credited, together with the  
11          unearned portion of the lease charge applicable thereto,  
12          either to the lessee's obligations, including, without  
13          limitation, to the final maturing lease payments or, at the  
14          holder's option, to the obligations of the lessee upon  
15          early or scheduled termination, provided that no such  
16          credit or refund need be made if the amount thereof would  
17          be less than one dollar.

18          (g) If the lessee is obligated under the consumer lease to  
19          maintain insurance on the vehicle and if subsequent to the  
20          execution of the consumer lease the lessee fails to maintain  
21          the required insurance, the holder, at its option, may buy  
22          insurance insuring substantially the same risks for either the  
23          interest of the lessee and the holder or the interest of either  
24          of them. Any amount paid by the holder for insurance may be the  
25          subject of a lease charge from the date the amount was paid by  
26          the holder, as though the amount was part of the capitalized

1 cost, shall be subject to the default provisions of the  
2 consumer lease and shall be repayable by the lessee to the  
3 lessor as provided in the consumer lease. Nothing in this  
4 subsection shall prevent the holder from pursuing any other  
5 remedy for default set forth in the consumer lease or provided  
6 by law.

7 (h) (1) The holder may, if the consumer lease so provides,  
8 collect a late charge on each lease payment in default for a  
9 period of 10 days in the amount or amounts agreed to in the  
10 consumer lease.

11 (2) The holder may not assess or collect a late charge  
12 under paragraph (1) of this subsection when the only  
13 delinquency is late charges assessed on an earlier lease  
14 payment or payments.

15 (3) The consumer lease may provide that in the event of  
16 default by the lessee, the lessee shall pay collection  
17 costs, court costs, and, where the consumer lease is  
18 referred to an attorney not a salaried employee of the  
19 holder for collection, reasonable attorneys' fees.

20 (i) No consumer lease shall be signed by any party thereto  
21 when it contains blank spaces to be filled in after it has been  
22 signed except that, if delivery of the vehicle is not made at  
23 the time of the execution of the consumer lease, the vehicle's  
24 identifying numbers or marks or similar information and the due  
25 date of the first payment may be inserted in the consumer lease  
26 after its execution. The lessee's written acknowledgement,

1 conforming to the requirements of subsection (c) of this  
2 Section, of delivery of a copy of the consumer lease shall be  
3 conclusive proof of the delivery of a copy of the consumer  
4 lease and of compliance with this subsection in any action or  
5 proceeding by or against the holder, lessor, or an assignee of  
6 the consumer lease without knowledge to the contrary at the  
7 time of the assignment.

8 (j) Notwithstanding any contrary provision of this Act or  
9 other laws of this State, (a) a holder may purchase, sell, or  
10 otherwise acquire or transfer an interest in a consumer lease  
11 or a vehicle subject to a consumer lease, on such terms and  
12 conditions and for such price as may be mutually agreed upon,  
13 and (b) no filing of the sale or transfer, no notice to the  
14 lessee of the sale or transfer, and no requirement that the  
15 holder be deprived of dominion over payments due under the  
16 consumer lease or over the vehicle if repossessed by or  
17 returned to the holder shall be necessary to the validity of a  
18 written sale or transfer of a consumer lease as against  
19 creditors, subsequent purchasers, pledgees, mortgagees, or  
20 encumbrancers of the holder.

21 (k) Unless the lessee has notice of actual or intended sale  
22 or transfer of a consumer lease, payment thereunder made by the  
23 lessee to the last known holder of the consumer lease shall be  
24 binding upon all subsequent holders or assignees. A person who  
25 sells or transfers a lease and thereafter receives payment from  
26 the lessee shall forward the payment in the form in which it



1 was received to the person to whom the lease had been sold or  
2 transferred, unless the person to whom the lease has been sold  
3 or transferred agrees in writing that the person who sells or  
4 transfers the lease may retain the payment.

5 (1) (1) Upon written request from the lessee, the holder  
6 shall give or forward to the lessee a written statement of the  
7 dates and amounts of the periodic lease payments that have been  
8 received by the holder under the consumer lease and the total  
9 amount of the remaining periodic lease payments. Any amounts in  
10 the statement that are estimated shall be identified as  
11 estimated. A lessee shall be given a written receipt for any  
12 payment made in cash.

13 (2) Upon written request from a lessee who is then  
14 entitled to terminate the consumer lease early, the holder  
15 shall give or forward to the lessee a written statement of  
16 the lessee's projected early termination obligation under  
17 the consumer lease without consideration on the value of  
18 the vehicle.

19 (3) No charge shall be imposed on the lessee for  
20 preparation by the holder of the lease of a single  
21 statement under paragraph (1) or (2) in a 12-month period.  
22 A holder may impose a reasonable fee, not to exceed \$20 per  
23 statement, for the preparation of additional early  
24 termination statements in a 12-month period, provided that  
25 the charge has been disclosed to the lessee either orally  
26 or in writing.

1 (m) No consumer lease shall contain any of the following  
2 provisions:

3 (1) In the absence of the lessee's default, the holder  
4 may, arbitrarily and without reasonable cause, accelerate  
5 the maturity of any part or all of the amount owing  
6 thereon.

7 (2) A power of attorney is given to confess judgment or  
8 an assignment of wages is given.

9 (3) The lessee waives any right of action against the  
10 holder for any illegal act committed in the collection of  
11 payments under the consumer lease or in the repossession of  
12 the vehicle.

13 (4) The lessee executes a power of attorney appointing  
14 the holder or other person acting on behalf of the holder  
15 as the lessee's agent in collection of payments under the  
16 consumer lease or in the repossession of the vehicle,  
17 provided, however, that this paragraph shall not prohibit  
18 the inclusion in a consumer lease of a limited power of  
19 attorney or other provision authorizing the holder to  
20 execute in the lessee's name any proofs of insurance claims  
21 or losses, titling and registration documents, odometer  
22 statements, or for any other purpose properly associated  
23 with the lease transaction or to endorse the lessee's name  
24 on any insurance settlement or premium, rebate draft,  
25 refund, or check.

26 (5) The holder is relieved from liability for any legal

1 remedy which the lessee may have had against the holder  
2 under the consumer lease, or any separate instrument  
3 executed in connection therewith.

4 (6) The lessee waives any provision of this Act.

5 (n) Any provision prohibited by this Act shall be  
6 unenforceable but shall not otherwise affect the validity of a  
7 consumer lease.

8 (Source: P.A. 89-625, eff. 1-1-97.)

9 (815 ILCS 636/45)

10 Sec. 45. Restriction on early termination liability.

11 (a) The lessee shall have the right to terminate the  
12 consumer lease at any time after the lessee has made 12 full  
13 periodic lease payments for which lease charges have been  
14 accrued by the holder or, in the case of a single payment  
15 lease, at the expiration of 12 months from the consummation of  
16 the lease. Nothing in this Section shall be deemed to prohibit  
17 the holder from permitting the lessee to terminate the consumer  
18 lease before the expiration of 12 months. A lessee may not be  
19 held liable for early termination fees if the lessee has died  
20 before the end of the lease.

21 (b) If a consumer lease is terminated early and there is no  
22 purchase option or the lessee does not exercise a purchase  
23 option, the lessee's early termination obligation may not  
24 exceed an amount equal to the sum of the following:

25 (1) Any unpaid lease payments that accrued through the

1 date of early termination.

2 (2) Any other unpaid amounts, other than excess mileage  
3 charges, arising under the terms of the lease.

4 (3) Any official fees and taxes imposed in connection  
5 with lease termination.

6 (4) A disposition fee in an amount set forth in the  
7 consumer lease.

8 (5) The reasonable costs of retaking, storing,  
9 preparing for sale, and selling the vehicle, including  
10 reasonable attorneys' fees and collection and court costs  
11 incurred by the lessor in recovering or securing possession  
12 of the vehicle.

13 (6) The amount, if any, by which (i) the balance  
14 subject to lease charge plus the lease charge earned in  
15 advance for the computational period in which the early  
16 termination occurs, calculated in accordance with the  
17 constant yield method or any other generally accepted lease  
18 accounting method exceeds (ii) the realized value of the  
19 vehicle.

20 (7) Any other early termination charge expressly  
21 disclosed in the consumer lease.

22 (c) As an alternative to the constant yield and other  
23 generally accepted lease accounting methods of determining the  
24 depreciation amounts accrued through the date of early  
25 termination of a precomputed lease transaction, those amounts  
26 may be determined under paragraph (6) of subsection (b) of this

1 Section by using a lease provision under which the lease charge  
2 is calculated on the adjusted capitalized cost for the time  
3 outstanding according to a generally accepted actuarial  
4 method.

5 (d) This Section does not limit or restrict the manner of  
6 calculating the lessee's early termination obligation, whether  
7 by way of unamortized capitalized cost, discounted present  
8 value of remaining lease payments, multiples of monthly  
9 payments, or otherwise.

10 (e) Any refundable security deposit or advance lease  
11 payment held by the holder may be retained by the holder or  
12 lessor and shall be credited against the lessee's early  
13 termination obligation. The amount of the security deposit or  
14 advance lease payment in excess of the amount of the lessee's  
15 early termination obligation shall be returned to the lessee.  
16 The holder or lessor is not obligated to pay interest to the  
17 lessee on the security deposit.

18 (Source: P.A. 89-625, eff. 1-1-97.)