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Require Optional Leasing Disclosure

By Gil Van Over

Regulation M makes the disclosure of the itemization of gross capitalized cost (IGCC) an optional disclosure, one that is required only if the consumer asks for it. Many forward-thinking lessors include this disclosure as part of their lease agreement. Dealers should require their F&I or lease managers to provide the IGCC on every lease transaction. The itemization of gross capitalized cost provides an excellent paper trail to help deflect any charges of not discussing the different aspects of a lease transaction. Among the items that are included in the gross capitalized cost and not always disclosed elsewhere are: Agreed upon price of vehicle Dealer installed equipment F&I products Negative equity The agreed upon price of the vehicle is self-explanatory. This is the price the dealer and the consumer agreed to in the sales process. If this price is inconsistent between the four-square and the lease agreement, guess who is wrong and who is wronged? Disclose dealer installed equipment that costs the consumer additional dollars above the agreed upon price. These should be supported by ROs and can include items such as GPS tracking systems, alarms and customized hood ornaments. The IGCC is the proper place to disclose F&I products such as service contracts, maintenance agreements, credit life and disability insurance and gap. Burying any of these products into the agreed upon price will create a discrepancy between the price you and the customer agreed to in the sales process and the price you are disclosing on the lease agreement. The Dark Side lives for discrepancies. Probably the biggest leasing disclosure misconception is that negative equity should be included in the agreed upon price of the vehicle. Not according to Reg M, which permits the itemization and disclosure of negative equity on the IGCC. Unless your state law specifically prohibits this disclosure, it might be best to follow the federal law. As always, discuss these disclosures with your lessors before making any changes. The last thing I would want is for your contracts in transit to increase. Gil Van Over is head of gvo3 & Associates, a firm that assists dealers with litigation defense strategies.

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