

AMENDED IN ASSEMBLY JULY 17, 2025

AMENDED IN ASSEMBLY JULY 14, 2025

AMENDED IN ASSEMBLY JUNE 26, 2025

AMENDED IN ASSEMBLY JUNE 13, 2025

AMENDED IN SENATE MAY 23, 2025

AMENDED IN SENATE MAY 1, 2025

AMENDED IN SENATE APRIL 10, 2025

## SENATE BILL

**No. 766**

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**Introduced by Senator Allen**  
**(Coauthor: Senator Stern)**  
(Coauthor: Assembly Member Kalra)

February 21, 2025

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An act to *amend, repeal, and add Sections 2982 and 2985.8 of, and to add Title 1.5B (commencing with Section 1784.20) to Part 4 of Division 3—of of, the Civil Code, to amend, repeal, and add Section 6012.3 of the Revenue and Taxation Code, and to amend and repeal Section 11713.21 of, and to amend, repeal, and add Section 11709.2 of, the Vehicle Code, relating to civil law.*

### LEGISLATIVE COUNSEL'S DIGEST

SB 766, as amended, Allen. California Combating Auto Retail Scams (CARS) Act.

Existing law governs motor vehicle conditional sale contracts, as defined, and requires a seller, prior to the execution of a conditional sale contract, to make certain disclosures to the buyer, including a

description and the price of each item sold if the contract includes a charge for the item, and the sum of all of those charges.

Existing law prohibits a dealer from selling specified used vehicles at retail to an individual for personal, family, or household use without offering the buyer a contract cancellation option agreement that allows the buyer to return the vehicle without cause. Existing law sets forth certain requirements for the contract cancellation option agreement, including prescribing the purchase price for the contract cancellation option and requiring specified disclosures.

This bill would enact the California Combating Auto Retail Scams (CARS) Act. The bill would define the terms vehicle and used vehicle for these purposes. The bill would make it a violation of the act for a dealer to make any misrepresentation regarding material information about specified matters relating to the vehicle sale, including the costs or terms of purchasing, financing, or leasing a vehicle, the availability of vehicles at a total price communicated by the dealer, and the remedy available if a dealer fails to sell or lease a vehicle at the total price, as defined. The bill would also make it a violation of the act for a dealer to fail to make certain disclosures clear and conspicuous, including specified information relating to the total price and any add-on products or services, and would exempt from that provision a used vehicle sold at an auction, as defined. The bill would make it a violation of the act for a dealer, in connection with the sale or financing of a vehicle, to charge for certain items, including an add-on product or service if the vehicle purchaser or lessee would not benefit from the add-on product or service. The bill would repeal the above-described contract cancellation option agreement requirement and would instead prohibit a dealer from selling or leasing specified used vehicles without providing the purchaser or lessee a ~~3-business-day~~ 3-day right to cancel the purchase or lease, as provided. The bill would require a dealer to create and retain, for a period of 2 years from the date the record is created, all records necessary to demonstrate compliance with the act, including specified records.

The bill would make its provisions operative on October 1, 2026.

The bill would make related conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Title 1.5B (commencing with Section 1784.20) is added to Part 4 of Division 3 of the Civil Code, to read:

TITLE 1.5B. CALIFORNIA COMBATING AUTO RETAIL  
SCAMS (CARS) ACT

CHAPTER 1. GENERAL PROVISIONS

1784.20. This title shall be known, and may be cited, as the California Combating Auto Retail Scams (CARS) Act.

1784.21. Any waiver by a consumer of the provisions of this title is contrary to public policy and is unenforceable and void.

1784.22. The provisions of this title are not exclusive. The remedies provided in this title for a violation of this title or for conduct proscribed by this title shall be in addition to any other remedies available under other law. This title does not limit or alter the remedies and liabilities set forth in other laws that may apply.

1784.23. If any provision of this title or the application of this title to any person or circumstance is held to be unconstitutional or otherwise deemed to be invalid, the remainder of the title and the application of the provision to other persons or circumstances shall not be affected.

1784.28. This title shall become operative on October 1, 2026.

CHAPTER 2. CONSTRUCTION AND DEFINITIONS

1784.30. This title shall be liberally construed and applied to promote its underlying purposes, which are to protect purchasers and lessees of new or used motor vehicles against unfair and deceptive business practices and to provide efficient and economical procedures to secure that protection.

1784.31. The following definitions apply for purposes of this title:

(a) “Add-on” or “add-on product or service” means any product or service not provided to the purchaser or lessee or installed on the vehicle by the vehicle manufacturer and for which the dealer,

1 directly or indirectly, charges a purchaser or lessee in connection  
2 with a vehicle sale, lease, or financing transaction.

3 (b) *“Auction” means a sale transaction conducted by means of*  
4 *oral, written, or electronic exchanges whereby offers are solicited*  
5 *from one or more potential purchasers in the form of bids in an*  
6 *effort to advance the amount of the bids to obtain the highest and*  
7 *most favorable offer.*

8 ~~(b)~~

9 (c) *“Dealer” means a licensed California motor vehicle dealer*  
10 *or a dealer as defined in Section 285 of the Vehicle Code.*

11 ~~(e)~~

12 (d) *“GAP agreement” means an agreement for either of the*  
13 *following:*

14 (1) *To indemnify a vehicle purchaser or lessee for the difference*  
15 *between the actual cash value of the vehicle in the event of an*  
16 *unrecovered theft or total loss and the amount owed on the vehicle*  
17 *pursuant to the terms of a loan, lease agreement, or installment*  
18 *sales contract used to purchase or lease the vehicle.*

19 (2) *To waive the unpaid difference between money received*  
20 *from the purchaser’s or lessee’s vehicle insurer and some or all of*  
21 *the amount owed on the vehicle at the time of the unrecovered*  
22 *theft or total loss, including products or services titled “guaranteed*  
23 *automobile protection agreement,” “guaranteed asset protection*  
24 *agreement,” “GAP insurance,” or “GAP waiver.”*

25 ~~(d)~~

26 (e) *“Material” or “materially” means likely to affect a person’s*  
27 *choice of, or conduct regarding, goods or services.*

28 ~~(e)~~

29 (f) (1) *“Motor vehicle” or “vehicle” means a motor vehicle as*  
30 *defined by Section 415 of the Vehicle Code.*

31 (2) *Notwithstanding paragraph (1), “motor vehicle” or “vehicle”*  
32 *does not include any of the following:*

33 (A) *Vehicles that are sold wholesale. For purposes of this*  
34 *subparagraph, “wholesale” means sale of a vehicle that does not*  
35 *constitute a retail sale, as defined in Section 6007 of the Revenue*  
36 *and Taxation Code.*

37 (B) *Vehicles that are not required to be registered under the*  
38 *Vehicle Code.*

39 (C) *Fleet sale transactions. For purposes of this subparagraph,*  
40 *“fleet sale” means the sale of more than one vehicle as part of a*

1 single transaction for use primarily for business or commercial  
2 purposes.

3 (D) Sales to commercial purchasers. For the purposes of this  
4 subparagraph, “commercial purchasers” means a person that  
5 purchases five or more vehicles from the dealer per year for use  
6 primarily for business or commercial purposes.

7 (E) A vehicle that has a gross vehicle weight rating of 10,000  
8 pounds or more.

9 (g) “Restocking fee” means both of the following fees that the  
10 dealer may charge a buyer or lessee who exercises the three-day  
11 right to cancel:

12 (1) One and one-half percent of the sale price of the vehicle,  
13 but not less than two hundred dollars (\$200) and not more than  
14 six hundred dollars (\$600).

15 (2) If the vehicle has been driven over 250 miles, the dealer may  
16 also charge the buyer or lessee an additional one dollar (\$1) for  
17 each mile over 250 miles, but this amount shall not exceed one  
18 hundred fifty dollars (\$150).

19 ~~(f)~~

20 (h) “Service contract” includes products that provide consumers  
21 with some type of benefit or payment for repair, maintenance, or  
22 service on the vehicle purchased or leased.

23 (i) (1) “Three-day,” as used in the phrase “three-day right to  
24 cancel,” means the period in which a buyer or lessee of a used  
25 vehicle may exercise the right to cancel the purchase or lease as  
26 provided in Section 1784.43. Except as provided in paragraph (2),  
27 this period consists of the three calendar day period commencing  
28 the calendar day after the purchase or lease is executed.

29 (2) If the third day in the three calendar day period described  
30 in paragraph (1) falls on a day the dealership is closed to the  
31 public, the three-day right to cancel period extends to the next day  
32 the dealership is open to the public.

33 (3) The three-day right to cancel ends at the close of business  
34 on the last day of the period described in this subdivision.

35 ~~(g)~~

36 (j) (1) “Total price” means the total sale price of a vehicle,  
37 excluding the taxes, fees, and charges described in subdivision (e)  
38 of Section 11713.1 of the Vehicle Code.

(2) “Total price” includes any dealer price adjustment and the cost of any item installed on the vehicle at the time of the advertisement or communication.

(3) “Total price” does not include any deduction for a rebate.

~~(h)~~

(k) (1) “Used motor vehicle” or “used vehicle” means a vehicle, as defined by subdivision (e), that also satisfies the definition of a “used vehicle” as defined in Section 665 of the Vehicle Code.

(2) “Used motor vehicle” does not include a motorcycle, as defined in Section 400 of the Vehicle Code.

~~(i) “Auction” means a sale transaction conducted by means of oral, written, or electronic exchanges whereby offers are solicited from one or more potential purchasers in the form of bids in an effort to advance the amount of the bids to obtain the highest and most favorable offer.~~

### CHAPTER 3. PROHIBITED CONDUCT AND CONSUMER RIGHTS

1784.40. It is a violation of this title for any dealer to make any misrepresentation regarding material information about any of the following:

(a) The costs or terms of purchasing, financing, or leasing a vehicle.

(b) Any costs, limitation, benefit, or any other aspect of an add-on product or service.

(c) Whether the final contract is for the lease or sale of a motor vehicle. This subdivision shall not be construed to restrict the ability of a dealer to present multiple financing and lease payment options to the customer prior to the sale or lease of a motor vehicle.

(d) The availability of vehicles at a total price communicated by the dealer. A dealer is not in violation of this subdivision if the advertisement in question is withdrawn following the sale of the vehicle in compliance with subdivision (c) of Section 11713 of the Vehicle Code.

(e) Whether any consumer has been or will be preapproved or guaranteed for any product, service, or term.

(f) Information on or about a consumer’s application for financing.

(g) Whether the dealer will keep cash downpayments or trade-in vehicles, charge fees, or initiate legal process, or any action if a

1 transaction is not finalized or if the consumer does not go forward  
2 with the transaction.

3 (h) Whether, and if so, when, a dealer will pay off some or all  
4 of the financing or a lease on a consumer's trade-in vehicle, and  
5 what happens if a dealer fails to pay off the trade-in vehicle within  
6 the time period required by Section 11709.4 of the Vehicle Code.

7 (i) The remedy available if a dealer fails to sell or lease a vehicle  
8 at the total price.

9 (j) Whether the dealer or any of the dealer's personnel or  
10 products or services is or was affiliated with, endorsed or approved  
11 by, or otherwise associated with the United States government or  
12 any federal, state, or local governmental agency, unit, or  
13 department, including the United States Department of Defense  
14 or its military departments.

15 (k) Whether, or under what circumstances, a vehicle may be  
16 repossessed.

17 (l) Whether a vehicle can be moved outside of California or  
18 outside of the United States.

19 (m) Any of the required disclosures identified in this title.

20 1784.41. It is a violation of this title for any dealer to fail to  
21 make any disclosure required by this section clearly and  
22 conspicuously.

23 (a) In connection with the sale or financing of a vehicle, a  
24 vehicle's total price shall be disclosed as follows:

25 (1) In any advertisement that references a specific vehicle for  
26 sale.

27 (2) In any advertisement that represents any monetary amount  
28 or financing term for a specific vehicle.

29 (3) In the first written communication with a consumer that  
30 includes a reference regarding a specific vehicle for sale, or any  
31 monetary amount or financing term for any vehicle. With respect  
32 to the first written communication, both of the following apply:

33 (A) The total price for the vehicle shall be disclosed at least  
34 once in the dealer's first response regarding that specific vehicle  
35 to the consumer.

36 (B) A dealer shall retain a copy of the communication identified  
37 by this paragraph for at least two years and shall provide a copy  
38 of the communication to the customer upon written request.

39 (b) When making any written representation during the  
40 negotiation to purchase or lease a specific vehicle about an add-on

1 product or service, the dealer shall disclose at least once that the  
2 add-on is not required and the consumer can purchase or lease the  
3 vehicle without the add-on. This disclosure shall be in writing and  
4 shall be clear and conspicuous. If the transaction is negotiated  
5 primarily in a language identified by subdivision (b) of Section  
6 1632, the disclosure required by this paragraph shall also be  
7 provided in that language.

8 (c) (1) When making any written representation during the  
9 negotiation to purchase or lease a specific vehicle about a monthly  
10 payment for any vehicle, the dealer shall disclose at least once,  
11 clearly and conspicuously and in writing, the total amount the  
12 consumer will pay to purchase or lease the vehicle at that monthly  
13 payment after making all payments as scheduled.

14 (2) If the total amount disclosed assumes the consumer will  
15 provide consideration, including in the form of a cash  
16 downpayment or trade-in valuation, the dealer shall disclose the  
17 amount of consideration to be provided by the consumer. This  
18 disclosure shall be in writing and shall be clear and conspicuous.  
19 If the transaction is negotiated primarily in a language identified  
20 by subdivision (b) of Section 1632, the disclosure required by this  
21 paragraph shall also be provided in that language.

22 (d) If the dealer makes any written comparison between payment  
23 options during the negotiation to purchase or lease a specific  
24 vehicle that includes discussion of a lower monthly payment, the  
25 dealer shall disclose that the lower monthly payment will increase  
26 the total amount the consumer will pay to purchase or lease the  
27 vehicle, if true. Use of an internet-based tool that allows consumers  
28 to adjust financing parameters shall not constitute a violation of  
29 this section.

30 (e) The disclosures required by subdivisions (b), (c), and (d)  
31 may be incorporated into a document that includes the written  
32 disclosures required by Section 2982.2.

33 (f) Subdivision (a) shall not be construed to modify vehicle  
34 advertising requirements in Section 11713.1 or Section 11713.16  
35 of the Vehicle Code. This includes, but is not limited to, the  
36 advertisement or communication of rebates and incentives that are  
37 disclosed separately from a vehicle's total price.

38 (g) This section shall not apply to a used vehicle sold at an  
39 auction.



1784.42. It is a violation of this title for any dealer, in connection with the sale or financing of vehicles, to charge for any of the following.

(a) A dealer may not charge for an add-on product or service if the vehicle purchaser or lessee would not benefit from the add-on product or service, including, as applicable, any of the following:

(1) Nitrogen-filled tire-related products or services that contain less than 95-percent nitrogen purity.

(2) Products or services that do not provide coverage for the vehicle, the consumer, or the transaction.

(3) A GAP agreement that is not in compliance with Section 2982, 2982.2, or 2982.12.

(4) A service contract if the service contract is void due to preexisting conditions, including prior damage from a crash or flood or preexisting mechanical conditions.

(5) Oil changes for electric vehicles.

(6) Catalytic converter markings for a vehicle that does not have a catalytic converter.

(7) Surface protection product that renders the manufacturer's warranty for the paint job void.

(b) A dealer shall pay the person or entity who is supposed to provide the benefit of the add-on within 10 days of the date when the car buyer or lessee signs the purchase or lease, unless the dealer has an agreement with the person or entity that provides for payment at a later date and the buyer's or lessee's coverage is not impacted by the later payment.

(c) This section does not prohibit a dealer from charging for an add-on product or service, such as a service contract, if the add-on product or service is selected by, and would benefit, the vehicle purchaser or lessee, even if the vehicle purchaser or lessee ultimately does not choose to use the add-on product or service, and even if the vehicle purchaser or lessee does not use the add-on product or service because a coverage event does not occur.

1784.43. (a) (1) (A) A dealer shall not sell or lease a used vehicle at retail at a price equal to or less than ~~forty-eight~~ *fifty* thousand dollars ~~(\$48,000), as adjusted pursuant to subdivision (f), to an entity or individual (\$50,000)~~ without providing the ~~purchaser~~ *buyer* or lessee with a ~~three-business-day~~ *three-day* right to cancel the purchase or lease.

1     (B) *The right to cancel does not apply if the car has been driven*  
2 *more than 400 miles between the execution of the sale or lease*  
3 *agreement and the date on which the buyer or lessee attempts to*  
4 *exercise the right.*

5     (2) (A) *A dealer may charge a buyer or lessee who exercises*  
6 *the right to cancel a restocking fee. Except as provided in*  
7 *subparagraph (B), the dealer may collect the restocking fee on the*  
8 *date the buyer or lessee exercises the right to cancel.*

9     (B) (i) *If the buyer or lessee is entitled to any refund, the*  
10 *restocking fee shall be deducted from the refund.*

11     (ii) *If the refund does not cover the full amount of the restocking*  
12 *fee, the balance is due at the time the buyer or lessee exercises the*  
13 *right to cancel.*

14     (3) (A) *If the right to cancel is exercised, the dealer shall return*  
15 *the buyer's or lessee's trade-in vehicle and all keys the buyer or*  
16 *lessee provided, if any, unless the dealer has sold or otherwise*  
17 *initiated the process to transfer the title of the trade-in vehicle, in*  
18 *which case the refund for the trade-in vehicle is the greater of the*  
19 *following:*

20     (i) *The agreed-upon value of the trade-in vehicle in the sales*  
21 *or lease agreement.*

22     (ii) *The amount for which the dealer sold the trade-in vehicle.*

23     (iii) *The fair market value of the trade-in vehicle.*

24     (B) *The dealer may deduct from the amount required by*  
25 *subparagraph (A) the amount necessary to satisfy outstanding*  
26 *indebtedness secured by the trade-in vehicle. The dealer shall*  
27 *provide the buyer or lessee a receipt documenting the cancellation*  
28 *that includes an itemized breakdown of the basis for each*  
29 *deduction.*

30     (C) *For the purposes of clause (iii) of subparagraph (A), the*  
31 *dealer shall have a rebuttable presumption of establishing the fair*  
32 *market value by either of the two valuation methods:*

33     (i) *The valuation equals the amount identified in a written offer*  
34 *to purchase the trade-in vehicle received by the buyer or lessee,*  
35 *and honored by the dealer, and that offer is valid for at least seven*  
36 *days.*

37     (ii) *The valuation equals the vehicle's trade-in valuation when*  
38 *the right to cancel was exercised, as identified in a nationally*  
39 *recognized pricing guide selected by the dealer, and considering*  
40 *the vehicle's condition at the time the vehicle was traded in. For*

1 *the purposes of this clause, “nationally recognized pricing guide”*  
2 *has the same meaning as paragraph (2) of subdivision (c) of*  
3 *Section 11950 of the Vehicle Code.*

4 ~~(b) To comply with subdivision (a), and notwithstanding~~  
5 *Notwithstanding Section 2981.9 of the Civil Code, a dealer shall*  
6 *provide the purchaser buyer or lessee of a used vehicle subject to*  
7 *the right to cancel a copy of a disclosure titled “3-Business-Day*  
8 *“3-Day Right to Cancel Used Car Purchase or Lease” on a separate*  
9 ~~*document that shall set forth this right clearly and conspicuously*~~  
10 ~~*and that document. If the transaction is negotiated primarily in a*~~  
11 ~~*language identified by subdivision (b) of Section 1632, the*~~  
12 ~~*disclosure required by this subdivision shall also be provided in*~~  
13 ~~*that language. The disclosure shall clearly and conspicuously*~~  
14 ~~*contain all of the following:*~~

15 ~~(1) The name of the seller selling or leasing dealer and the~~  
16 ~~*purchaser buyer or lessee.*~~

17 ~~(2) A description and the vehicle identification number of the~~  
18 ~~*vehicle purchased.*~~

19 ~~(3) A statement specifying the time within which the buyer shall~~  
20 ~~*or lessee must exercise the right to cancel the purchase under the*~~  
21 ~~*contract cancellation option sale or lease and return the vehicle to*~~  
22 ~~*the dealer. The dealer shall not specify a time that is earlier than*~~  
23 ~~*the dealer’s close of business on the third business day following*~~  
24 ~~*the day on which the purchase or lease agreement was signed, and*~~  
25 ~~*the vehicle was originally delivered to the purchaser or lessee by*~~  
26 ~~*the dealer.*~~

27 ~~(4) A statement that clearly and conspicuously discloses that~~  
28 ~~*although the dealer cannot charge the purchaser buyer or lessee*~~  
29 ~~*for the right to cancel the purchase or lease. lease, the dealer may*~~  
30 ~~*charge the buyer or lessee a restocking fee. The statement shall*~~  
31 ~~*describe how both components of the restocking fee are calculated.*~~

32 ~~(5) A statement that clearly and conspicuously discloses that~~  
33 ~~*the dealer may charge the purchaser or lessee a restocking fee only*~~  
34 ~~*if the purchaser or lessee exercises the right to cancel and that the*~~  
35 ~~*fee will be determined by multiplying the cash price of the vehicle*~~  
36 ~~*on the purchase contract or the agreed-upon value for the vehicle*~~  
37 ~~*on the lease agreement by the number of miles the vehicle was*~~  
38 ~~*driven since the purchase or lease and divide that number by*~~  
39 ~~*150,000. In addition to any restocking fee, a dealer may charge a*~~

1 daily-use fee of not more than sixty dollars (\$60) for each day that  
2 the vehicle was in the customer's possession.

3 (6)

4 (5) A statement that clearly and conspicuously discloses that  
5 the purchaser *the buyer* or lessee cannot exercise the *option right*  
6 *to cancel* if the vehicle has been driven more than 400 miles.

7 (7) ~~A statement that clearly and conspicuously discloses that~~  
8 ~~the dealer can charge the purchaser or lessee for damage to the~~  
9 ~~vehicle beyond reasonable wear and tear, the dealer will have the~~  
10 ~~burden of proving the damage is beyond reasonable wear and tear,~~  
11 ~~and the dealer cannot withhold any portion of the purchaser's or~~  
12 ~~lessee's downpayment, or their trade-in vehicle to pay for or to~~  
13 ~~get the purchaser or lessee to pay what the dealer claims is damage~~  
14 ~~beyond reasonable wear and tear.~~

15 (8) ~~A statement that clearly and conspicuously discloses that~~  
16 ~~the dealer cannot prevent the customer from exercising the right~~  
17 ~~to cancel because they do not have the money to pay for the~~  
18 ~~restocking fee or for damage the dealer claims is beyond reasonable~~  
19 ~~wear and tear.~~

20 (9) ~~A statement that clearly and conspicuously discloses that if~~  
21 ~~the dealer has sold the purchaser's or lessee's trade-in vehicle, the~~  
22 ~~dealer shall pay the purchaser or lessee the greater amount of the~~  
23 ~~agreed-upon value of the trade-in vehicle on the purchase or lease~~  
24 ~~agreement, the fair market value of the vehicle at the time when~~  
25 ~~it was traded in, or the amount at which the dealer sold the trade-in~~  
26 ~~vehicle.~~

27 (6) *A statement that the right to cancel applies only if all of the*  
28 *following are personally delivered to the selling or leasing dealer*  
29 *during business hours by the buyer or lessee at the time the right*  
30 *to cancel is exercised:*

31 (A) *Restocking fees, except to the extent they are deducted from*  
32 *any refund as required by this section.*

33 (B) *The vehicle, meeting both of the following:*

34 (i) *Free of all liens and encumbrances, other than any lien or*  
35 *encumbrance created by or incidental to the sales or lease*  
36 *transaction.*

37 (ii) *In the same condition as when it was delivered by the dealer*  
38 *to the buyer or lessee, except reasonable wear and tear and any*  
39 *defect or mechanical problem that manifests or becomes evident*  
40 *after delivery that was not caused by the buyer or lessee. The*

1 *dealer shall maintain documentation describing any damage*  
2 *beyond reasonable wear and tear.*

3 *(C) Any other cash or items received by the buyer or lessee in*  
4 *connection with the sale or lease of the vehicle.*

5 *(7) A statement that the dealer may require the buyer or lessee*  
6 *to execute documents reasonably necessary to effectuate the*  
7 *cancellation and refund and as reasonably required to comply*  
8 *with applicable law.*

9 *(8) (A) A statement that if the dealer has sold or otherwise*  
10 *initiated the process to transfer title of the buyer's or lessee's*  
11 *trade-in vehicle, the dealer shall pay the buyer or lessee the greater*  
12 *of the following:*

13 *(i) The agreed-upon value of the trade-in vehicle in the sales*  
14 *or lease agreement.*

15 *(ii) The amount for which the dealer sold the trade-in vehicle.*

16 *(iii) The fair market value of the trade-in vehicle.*

17 *(B) A statement that the amount of the refund may be reduced*  
18 *as necessary to satisfy outstanding indebtedness secured by the*  
19 *trade-in vehicle.*

20 ~~(10)~~

21 ~~(9) A statement that clearly and conspicuously discloses that if~~  
22 ~~the dealer represents to the purchaser buyer or lessee that it sold~~  
23 ~~the trade-in vehicle, it must provide the purchaser buyer or lessee~~  
24 ~~a copy of the document showing the sale of the trade-in vehicle.~~  
25 ~~The dealer shall redact the personal information of the person or~~  
26 ~~entity to whom the trade-in vehicle was sold.~~

27 *(c) It is a violation of this title for any dealer, in connection with*  
28 ~~a purchaser buyer or lessee exercising the right to cancel, to do~~  
29 ~~any of the following:~~

30 ~~(1) To do or say anything~~ *Anything to impede a purchaser buyer*  
31 *or lessee from exercising the right to cancel the purchase or lease*  
32 *of a vehicle as provided in this title.*

33 ~~(2) To overcharge the purchaser~~ *Overcharge the buyer or lessee*  
34 *for the restocking fee.*

35 ~~(3) To withhold the purchaser's~~ *Withhold the buyer's or lessee's*  
36 *downpayment or trade-in vehicle after the right to cancel has been*  
37 *exercised.*

38 ~~(4) To fail~~ *Fail to timely refund the purchaser's buyer's or*  
39 *lessee's downpayment after the right to cancel has been exercised.*

1     (5) ~~To fail~~ Fail to refund the amount owed for the ~~purchaser's~~  
2     ~~buyer's~~ or lessee's trade-in vehicle if the trade-in vehicle has been  
3     sold.

4     (6) ~~To fail~~ Fail to provide the ~~purchaser~~ buyer or lessee the  
5     receipt or contract for the sale of the ~~purchaser's~~ buyer's or lessee's  
6     trade-in vehicle.

7     (7) ~~To claim~~ Claim damage to the vehicle in excess of  
8     reasonable wear and tear without reasonable basis.

9     (8) ~~To claim~~ Claim the person authorized to return the  
10    ~~purchaser's~~ buyer's or lessee's downpayment or trade-in vehicle  
11    is not available.

12    (d) (1) *No later than 48 hours after the buyer or lessee exercises*  
13    *the right to cancel pursuant to this section, the dealer shall cancel*  
14    *the contract and provide the buyer or lessee with a full refund,*  
15    *minus any deduction allowed by this section. The dealer is not*  
16    *responsible for any delays outside the control of the dealer,*  
17    *including delays attributable to the processing of a refund by a*  
18    *bank, credit card company, or other financial institution.*

19    (2) *Notwithstanding paragraph (1), in the event the buyer or*  
20    *lessee made a payment through a method that does not result in*  
21    *an immediate verified transfer of funds to the dealer, such as a*  
22    *check, the dealer may delay providing the refund until two business*  
23    *days after the buyer or lessee's payment is verified. The dealer*  
24    *shall provide the buyer or lessee with documentation showing*  
25    *when the verification occurred.*

26    ~~(d)~~

27    (e) The dealer will clearly and conspicuously disclose on the  
28    first page of the purchase or lease agreement the following:

29  
30    "CALIFORNIA DOES NOT HAVE A COOLING-OFF  
31    PERIOD FOR NEW VEHICLES. HOWEVER, IF YOU  
32    PURCHASED OR LEASED A USED VEHICLE, YOU HAVE  
33    3-BUSINESS DAYS TO CANCEL THIS CONTRACT FOR ANY  
34    REASON. ADDITIONAL RESTRICTIONS MAY APPLY,  
35    INCLUDING A RESTOCKING FEE.

36    You have up to 3-business days to return the vehicle to the dealer  
37    and cancel this contract and obtain a refund. Please review the  
38    disclosure, which the dealer is required by law to provide, for the  
39    details about this right and how to exercise it."  
40

(e)

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

(f)

(g) This section does not apply to a used vehicle with a purchase price greater than ~~forty-eight~~ *fifty* thousand dollars ~~(\$48,000), as adjusted June 1, 2027, and every June 1 thereafter, by the percentage change in the cost of living, as defined in Section 2212 of the Revenue and Taxation Code.~~ (\$50,000).

(h) *This section does not apply to the sale of a leased vehicle to the lessee if the lessee is in possession of the vehicle prior to the time of the sale.*

(i) *This section does not apply to a used vehicle sold at an auction, provided the used vehicle is in compliance with the requirements of Division 12 (commencing with Section 24000) of the Vehicle Code.*

(j) *This section shall not be construed to limit the ability of a dealer to offer a right to cancel that provides greater consumer protections than those outlined in this section, including a right to cancel for additional vehicles, a longer return period, or reduced restocking fees. In such circumstances, the dealer may elect to make corresponding changes that describe these greater consumer protections in any consumer notice required by this section or Section 11709.2 of the Vehicle Code.*

1784.44. (a) A dealer subject to this title shall create and retain, for a period of two years from the date the record is created, all records necessary to demonstrate compliance with this title, including the following records:

(1) Records demonstrating that communications and advertisements of a vehicle's total price meet the requirements of subdivision (a) of Section 1784.41. For purposes of this paragraph, "advertisement" includes internet-based listings that display a vehicle's total price, features, or financing terms disseminated by the dealer. This paragraph shall not require retention of records generated solely by interactive tools that allow consumers to adjust variables such as downpayment, credit tier, interest rate, or loan term to receive personalized financing estimates, provided the tools do not alter or misrepresent the vehicle's total price as advertised.

(2) Copies of all purchase orders, financing and lease documents with the dealer signed by the consumer, whether or not final approval or assignment of the contract is received from a financing or lease transaction, and all written communications relating to sales, financing, or leasing between the dealer and any car buyer or lessee who signs a purchase order or financing or lease contract with the dealer.

(3) Records demonstrating that add-ons in a consumer's contract meet the requirements of Section 1784.42, including copies of all service contracts, GAP agreements, proof of timely payment for add-ons, and calculations of loan-to-value ratios in contracts including GAP agreements.

(4) Copies of all cancellation requests, proof of refunds of downpayments or other consideration provided in the purchase of a vehicle, and proof of return of trade-in vehicles.

(5) Copies of all written complaints sent by car buyers or lessees to the dealer relating to sales, financing, leasing, or cancellation requests under Section 1784.43, written inquiries related to add-ons, and written inquiries and responses about vehicles referenced in Section 1784.41. For the purposes of this paragraph, "complaints" does not include responses to customer surveys or reviews, or testimonials posted on the internet.

(b) A dealer subject to this part may keep the records required by subdivision (a) in any legible form, and in the same manner, format, or place as they already keep records in the ordinary course of business. Failure to keep all records required under subdivision (a) is a violation of this title.

(c) This section does not limit the requirements imposed by Section 2984.5.

*SEC. 2. 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 subtitled 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



1 may be combined or interspersed with other provisions of the  
2 contract.

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

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

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

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

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

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

22 (F) The total amount charged by the seller for an electric vehicle  
23 charging station, which may include only the charges for the  
24 electric vehicle charging station device, any materials and wiring,  
25 and any installation services. The total amount shall be labeled  
26 “EV Charging Station.”

27 (G) Taxes imposed on the sale.

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

30 (I) The amount charged for a service contract.

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

35 (K) Any charge for an optional debt cancellation agreement or  
36 guaranteed asset protection waiver.

37 (L) Any charge for a used vehicle contract cancellation option  
38 agreement.

39 (M) The total cash price, which is the sum of subparagraphs

40 (A) to (L), inclusive.

(N) The disclosures described in subparagraphs (D), (E), and (L) are not required on contracts involving the sale of a motorcycle, as defined in Section 400 of the Vehicle Code, or on contracts involving the sale of an off-highway motor vehicle that is subject to identification under Section 38010 of the Vehicle Code, and the amounts of those charges, if any, are not required to be reflected in the total price under subparagraph (M).

(2) Amounts paid to public officials for the following:

(A) Vehicle license fees.

(B) Registration, transfer, and titling fees.

(C) California tire fees imposed pursuant to Section 42885 of the Public Resources Code.

(3) The aggregate amount of premiums agreed, upon execution of the contract, to be paid for policies of insurance included in the contract, excluding the amount of any insurance premium included in the finance charge.

(4) The amount of the state fee for issuance of a certificate of compliance, noncompliance, exemption, or waiver pursuant to any applicable pollution control statute.

(5) A subtotal representing the sum of the amounts described in paragraphs (1) to (4), inclusive.

(6) The amount of the buyer's downpayment itemized to show the following:

(A) The agreed value of the property being traded in.

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

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

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

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

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

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

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

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

20 (b) No particular terminology is required to disclose the items  
21 set forth in subdivision (a) except as expressly provided in that  
22 subdivision.

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

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

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

31 (f) (1) If the contract includes a finance charge determined on  
32 the precomputed basis, the contract shall identify the method of  
33 computing the unearned portion of the finance charge in the event  
34 of prepayment in full of the buyer’s obligation and contain a  
35 statement of the amount or method of computation of any charge  
36 that may be deducted from the amount of any unearned finance  
37 charge in computing the amount that will be credited to the  
38 obligation or refunded to the buyer. The method of computing the  
39 unearned portion of the finance charge shall be sufficiently  
40 identified with a reference to the actuarial method if the

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

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

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

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

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

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

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

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

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

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

26  
27 \_\_\_\_\_  
28  
29 Buyer’s Signature”  
30

31 (i) (1) The contract shall contain an itemization of any insurance  
32 included as part of the amount financed disclosed pursuant to  
33 paragraph (3) of subdivision (a) and of any insurance included as  
34 part of the finance charge. The itemization shall identify the type  
35 of insurance coverage and the premium charged therefor, and, if  
36 the insurance expires before the date of the last scheduled  
37 installment included in the repayment schedule, the term of the  
38 insurance shall be stated.

39 (2) If any charge for insurance, other than for credit life or  
40 disability, is included in the contract balance and disbursement of

1 any part thereof is to be made more than one year after the date of  
2 the conditional sale contract, any finance charge on the amount to  
3 be disbursed after one year shall be computed from the month the  
4 disbursement is to be made to the due date of the last installment  
5 under the conditional sale contract.

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

12 (A) (i) One and one-half percent on so much of the unpaid  
13 balance as does not exceed two hundred twenty-five dollars (\$225),  
14 1  $\frac{1}{6}$  percent on so much of the unpaid balance in excess of two  
15 hundred twenty-five dollars (\$225) as does not exceed nine hundred  
16 dollars (\$900) and five-sixths of 1 percent on so much of the unpaid  
17 balance in excess of nine hundred dollars (\$900) as does not exceed  
18 two thousand five hundred dollars (\$2,500).

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

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

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

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

30 (ii) Fifty dollars (\$50) if the unpaid balance exceeds one  
31 thousand dollars (\$1,000) but does not exceed two thousand dollars  
32 (\$2,000).

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

35 (2) The holder of the contract shall not charge, collect, or receive  
36 a finance charge that exceeds the disclosed finance charge, except  
37 to the extent (A) caused by the holder's receipt of one or more  
38 payments under a contract that provides for determination of the  
39 finance charge or a portion thereof on the 365-day basis at a time  
40 or times other than as originally scheduled whether or not the

1 parties enter into an agreement pursuant to Section 2982.3, (B)  
2 permitted by paragraph (2), (3), or (4) of subdivision (c) of Section  
3 226.17 of Regulation Z, or (C) permitted by subdivisions (a) and  
4 (c) of Section 2982.8.

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

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

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

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

36 (1) If the finance charge was determined on the precomputed  
37 basis, the amount required to prepay the contract shall be the  
38 outstanding contract balance as of that date, provided, however,  
39 that the buyer shall be entitled to a refund credit in the amount of  
40 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),



1 except that the buyer's outstanding obligation shall be computed  
2 by the holder as of the date the holder recovers the value of the  
3 motor vehicle through disposition thereof or judgment is entered  
4 or, if the holder elects to keep the motor vehicle in satisfaction of  
5 the buyer's indebtedness, as of the date the holder takes possession  
6 of the motor vehicle.

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

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

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

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

30 (q) The contract shall disclose on its face, by printing the word  
31 "new" or "used" within a box outlined in red, that is not smaller  
32 than one-half inch high and one-half inch wide, whether the vehicle  
33 is sold as a new vehicle, as defined in Section 430 of the Vehicle  
34 Code, or as a used vehicle, as defined in Section 665 of the Vehicle  
35 Code.

36 (r) The contract shall contain a notice with a heading in at least  
37 12-point bold type and the text in at least 10-point bold type,  
38 circumscribed by a line, immediately above the contract signature  
39 line, that reads as follows:

1           THERE IS NO COOLING-OFF PERIOD UNLESS YOU  
2           OBTAIN A CONTRACT CANCELLATION OPTION

3  
4           California law does not provide for a “cooling-off” or other cancellation  
5           period for vehicle sales. Therefore, you cannot later cancel this contract  
6           simply because you change your mind, decide the vehicle costs too much,  
7           or wish you had acquired a different vehicle. After you sign below, you  
8           may only cancel this contract with the agreement of the seller or for legal  
9           cause, such as fraud.

10          However, California law does require a seller to offer a two-day contract  
11          cancellation option on used vehicles with a purchase price of less than  
12          forty thousand dollars (\$40,000), subject to certain statutory conditions.  
13          This contract cancellation option requirement does not apply to the sale  
14          of a recreational vehicle, a motorcycle, or an off-highway motor vehicle  
15          subject to identification under California law. See the vehicle contract  
16          cancellation option agreement for details.

17  
18          *(s) This section shall remain in effect only until October 1, 2026,*  
19          *and as of that date is repealed.*

20          SEC. 3. Section 2982 is added to the Civil Code, to read:

21          2982. A conditional sale contract subject to this chapter shall  
22          contain the disclosures required by Regulation Z, whether or not  
23          Regulation Z applies to the transaction. In addition, to the extent  
24          applicable, the contract shall contain the other disclosures and  
25          notices required by, and shall satisfy the requirements and  
26          limitations of, this section. The disclosures required by subdivision  
27          (a) may be itemized or subtitled to a greater extent than as  
28          required by that subdivision and shall be made together and in  
29          the sequence set forth in that subdivision. All other disclosures  
30          and notices may appear in the contract in any location or sequence  
31          and may be combined or interspersed with other provisions of the  
32          contract.

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

36          (1) (A) The cash price, exclusive of document processing  
37          charges, charges to electronically register or transfer the vehicle,  
38          taxes imposed on the sale, pollution control certification fees, prior  
39          credit or lease balance on property being traded in, the amount  
40          charged for a service contract, the amount charged for a theft

1 *deterrent system, the amount charged for a surface protection*  
2 *product, the amount charged for an optional debt cancellation*  
3 *agreement or guaranteed asset protection waiver, and the amount*  
4 *charged for a contract cancellation option agreement.*

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

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

10 (D) *A charge for a theft deterrent device.*

11 (E) *A charge for a surface protection product.*

12 (F) *The total amount charged by the seller for an electric vehicle*  
13 *charging station, which may include only the charges for the*  
14 *electric vehicle charging station device, any materials and wiring,*  
15 *and any installation services. The total amount shall be labeled*  
16 *“EV Charging Station.”*

17 (G) *Taxes imposed on the sale.*

18 (H) *The charge to electronically register or transfer the vehicle*  
19 *authorized pursuant to Section 4456.5 of the Vehicle Code.*

20 (I) *The amount charged for a service contract.*

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

25 (K) *Any charge for an optional debt cancellation agreement or*  
26 *guaranteed asset protection waiver.*

27 (L) *Any charge for a used vehicle contract cancellation option*  
28 *agreement.*

29 (M) *The total cash price, which is the sum of subparagraphs*  
30 *(A) to (L), inclusive.*

31 (N) *The disclosures described in subparagraphs (D), (E), and*  
32 *(L) are not required on contracts involving the sale of a motorcycle,*  
33 *as defined in Section 400 of the Vehicle Code, or on contracts*  
34 *involving the sale of an off-highway motor vehicle that is subject*  
35 *to identification under Section 38010 of the Vehicle Code, and the*  
36 *amounts of those charges, if any, are not required to be reflected*  
37 *in the total price under subparagraph (M).*

38 (2) *Amounts paid to public officials for the following:*

39 (A) *Vehicle license fees.*

40 (B) *Registration, transfer, and titling fees.*

1 (C) California tire fees imposed pursuant to Section 42885 of  
2 the Public Resources Code.

3 (3) The aggregate amount of premiums agreed, upon execution  
4 of the contract, to be paid for policies of insurance included in the  
5 contract, excluding the amount of any insurance premium included  
6 in the finance charge.

7 (4) The amount of the state fee for issuance of a certificate of  
8 compliance, noncompliance, exemption, or waiver pursuant to any  
9 applicable pollution control statute.

10 (5) A subtotal representing the sum of the amounts described  
11 in paragraphs (1) to (4), inclusive.

12 (6) The amount of the buyer's downpayment itemized to show  
13 the following:

14 (A) The agreed value of the property being traded in.

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

17 (C) The net agreed value of the property being traded in, which  
18 is the difference between the amounts disclosed in subparagraphs  
19 (A) and (B). If the prior credit or lease balance of the property  
20 being traded in exceeds the agreed value of the property, a negative  
21 number shall be stated.

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

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

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

30 (G) The total downpayment. If the sum of subparagraphs (C)  
31 to (F), inclusive, is zero or more, that sum shall be stated as the  
32 total downpayment, and no amount shall be stated as the prior  
33 credit or lease balance under subparagraph (I) of paragraph (1).  
34 If the sum of subparagraphs (C) to (F), inclusive, is less than zero,  
35 then that sum, expressed as a positive number, shall be stated as  
36 the prior credit or lease balance under subparagraph (I) of  
37 paragraph (1), and zero shall be stated as the total downpayment.  
38 The disclosure required by this subparagraph shall be labeled  
39 "total downpayment" and shall contain a descriptor indicating  
40 that if the total downpayment is a negative number, a zero shall

1 *be disclosed as the total downpayment and a reference made that*  
2 *the remainder shall be included in the disclosure required pursuant*  
3 *to subparagraph (I) of paragraph (1).*

4 *(7) The amount of any administrative finance charge, labeled*  
5 *“prepaid finance charge.”*

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

9 *(b) No particular terminology is required to disclose the items*  
10 *set forth in subdivision (a) except as expressly provided in that*  
11 *subdivision.*

12 *(c) If payment of all or a portion of the downpayment is to be*  
13 *deferred, the deferred payment shall be reflected in the payment*  
14 *schedule disclosed pursuant to Regulation Z.*

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

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

20 *(f) (1) If the contract includes a finance charge determined on*  
21 *the precomputed basis, the contract shall identify the method of*  
22 *computing the unearned portion of the finance charge in the event*  
23 *of prepayment in full of the buyer’s obligation and contain a*  
24 *statement of the amount or method of computation of any charge*  
25 *that may be deducted from the amount of any unearned finance*  
26 *charge in computing the amount that will be credited to the*  
27 *obligation or refunded to the buyer. The method of computing the*  
28 *unearned portion of the finance charge shall be sufficiently*  
29 *identified with a reference to the actuarial method if the*  
30 *computation will be under that method. The method of computing*  
31 *the unearned portion of the finance charge shall be sufficiently*  
32 *identified with a reference to the Rule of 78’s, the sum of the digits,*  
33 *or the sum of the periodic time balances method in all other cases,*  
34 *and those references shall be deemed to be equivalent for*  
35 *disclosure purposes.*

36 *(2) If the contract includes a finance charge that is determined*  
37 *on the simple-interest basis but provides for a minimum finance*  
38 *charge in the event of prepayment in full, the contract shall contain*  
39 *a statement of that fact and the amount of the minimum finance*  
40 *charge or its method of calculation.*

(g) (1) If the contract includes a finance charge that is determined on the precomputed basis and provides that the unearned portion of the finance charge to be refunded upon full prepayment of the contract is to be determined by a method other than actuarial, 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 and obtain a partial refund of the finance charge if it is \$1 or more. Because of the way the amount of this refund will be figured, the time when you prepay could increase the ultimate cost of credit under this agreement. (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.”

(2) If the contract includes a finance charge that is determined on the precomputed basis and provides for the actuarial method for computing the unearned portion of the finance charge upon prepayment in full, 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 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

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

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

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

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

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

15  
16 \_\_\_\_\_  
17  
18 *Buyer’s Signature”*  
19

20 *(i) (1) The contract shall contain an itemization of any*  
21 *insurance included as part of the amount financed disclosed*  
22 *pursuant to paragraph (3) of subdivision (a) and of any insurance*  
23 *included as part of the finance charge. The itemization shall*  
24 *identify the type of insurance coverage and the premium charged*  
25 *therefor, and, if the insurance expires before the date of the last*  
26 *scheduled installment included in the repayment schedule, the term*  
27 *of the insurance shall be stated.*

28 *(2) If any charge for insurance, other than for credit life or*  
29 *disability, is included in the contract balance and disbursement*  
30 *of any part thereof is to be made more than one year after the date*  
31 *of the conditional sale contract, any finance charge on the amount*  
32 *to be disbursed after one year shall be computed from the month*  
33 *the disbursement is to be made to the due date of the last*  
34 *installment under the conditional sale contract.*

35 *(j) (1) Except for contracts in which the finance charge or a*  
36 *portion of the finance charge is determined by the simple-interest*  
37 *basis and the amount financed disclosed pursuant to paragraph*  
38 *(8) of subdivision (a) is more than two thousand five hundred*  
39 *dollars (\$2,500), the dollar amount of the disclosed finance charge*  
40 *may not exceed the greater of:*

1 (A) (i) One and one-half percent on so much of the unpaid  
2 balance as does not exceed two hundred twenty-five dollars (\$225),  
3  $1\frac{1}{6}$  percent on so much of the unpaid balance in excess of two  
4 hundred twenty-five dollars (\$225) as does not exceed nine hundred  
5 dollars (\$900) and five-sixths of 1 percent on so much of the unpaid  
6 balance in excess of nine hundred dollars (\$900) as does not  
7 exceed two thousand five hundred dollars (\$2,500).

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

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

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

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

19 (ii) Fifty dollars (\$50) if the unpaid balance exceeds one  
20 thousand dollars (\$1,000) but does not exceed two thousand dollars  
21 (\$2,000).

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

24 (2) The holder of the contract shall not charge, collect, or  
25 receive a finance charge that exceeds the disclosed finance charge,  
26 except to the extent (A) caused by the holder's receipt of one or  
27 more payments under a contract that provides for determination  
28 of the finance charge or a portion thereof on the 365-day basis at  
29 a time or times other than as originally scheduled whether or not  
30 the parties enter into an agreement pursuant to Section 2982.3,  
31 (B) permitted by paragraph (2), (3), or (4) of subdivision (c) of  
32 Section 226.17 of Regulation Z, or (C) permitted by subdivisions  
33 (a) and (c) of Section 2982.8.

34 (3) If the finance charge or a portion thereof is determined by  
35 the simple-interest basis and the amount of the unpaid balance  
36 exceeds five thousand dollars (\$5,000), the holder of the contract  
37 may, in lieu of its right to a minimum finance charge under  
38 subparagraph (C) of paragraph (1), charge, receive, or collect on  
39 the date of the contract an administrative finance charge not to  
40 exceed seventy-five dollars (\$75), provided that the sum of the



1 administrative finance charge and the portion of the finance charge  
2 determined by the simple-interest basis shall not exceed the  
3 maximum total finance charge permitted by subparagraph (A) of  
4 paragraph (1). Any administrative finance charge that is charged,  
5 received, or collected by a holder shall be deemed a finance charge  
6 earned on the date of the contract.

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

11 (k) The contract may provide that for each installment in default  
12 for a period of not less than 10 days the buyer shall pay a  
13 delinquency charge in an amount not to exceed in the aggregate  
14 5 percent of the delinquent installment, which amount may be  
15 collected only once on any installment regardless of the period  
16 during which it remains in default. Payments timely received by  
17 the seller under an extension or deferral agreement may not be  
18 subject to a delinquency charge unless the charge is permitted by  
19 Section 2982.3. The contract may provide for reasonable collection  
20 costs and fees in the event of delinquency.

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

25 (1) If the finance charge was determined on the precomputed  
26 basis, the amount required to prepay the contract shall be the  
27 outstanding contract balance as of that date, provided, however,  
28 that the buyer shall be entitled to a refund credit in the amount of  
29 the unearned portion of the finance charge, except as provided in  
30 paragraphs (3) and (4). The amount of the unearned portion of  
31 the finance charge shall be at least as great a proportion of the  
32 finance charge, including any additional finance charge imposed  
33 pursuant to Section 2982.8 or other additional charge imposed  
34 because the contract has been extended, deferred, or refinanced,  
35 as the sum of the periodic monthly time balances payable more  
36 than 15 days after the date of prepayment bears to the sum of all  
37 the periodic monthly time balances under the schedule of  
38 installments in the contract or, if the contract has been extended,  
39 deferred, or refinanced, as so extended, deferred, or refinanced.  
40 If the amount of the refund credit is less than one dollar (\$1), no

1 refund credit need be made by the holder. Any refund credit may  
2 be made in cash or credited to the outstanding obligations of the  
3 buyer under the contract.

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

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

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

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

36 (m) Notwithstanding any other provision of this chapter to the  
37 contrary, any information required to be disclosed in a conditional  
38 sale contract under this chapter may be disclosed in any manner,  
39 method, or terminology required or permitted under Regulation  
40 Z, as in effect at the time that disclosure is made, except that

1 *permitted by paragraph (2) of subdivision (c) of Section 226.18*  
2 *of Regulation Z, if all of the requirements and limitations set forth*  
3 *in subdivision (a) are satisfied. This chapter does not prohibit the*  
4 *disclosure in that contract of additional information required or*  
5 *permitted under Regulation Z, as in effect at the time that*  
6 *disclosure is made.*

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

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

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

19 *(q) The contract shall disclose on its face, by printing the word*  
20 *“new” or “used” within a box outlined in red, that is not smaller*  
21 *than one-half inch high and one-half inch wide, whether the vehicle*  
22 *is sold as a new vehicle, as defined in Section 430 of the Vehicle*  
23 *Code, or as a used vehicle, as defined in Section 665 of the Vehicle*  
24 *Code.*

25 *(r) The contract shall contain the disclosure identified in*  
26 *subdivision (e) of Section 1784.43.*

27 *(s) This section shall become operative October 1, 2026.*

28 *SEC. 4. Section 2985.8 of the Civil Code is amended to read:*

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

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

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

37 *(1) All of the information prescribed by Regulation M set forth*  
38 *in the manner required or permitted by Regulation M, whether or*  
39 *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.

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

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

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

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

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

(d) A lease contract shall contain, in at least 8-point boldface type, above the space provided for the lessee’s signature and circumscribed by a line, the following notice: “(1) Do not sign this lease 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 lease; (3) Warning—Unless a charge is included in this lease for public liability or property damage insurance, payment for that coverage is not provided by this lease.”

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

4  
5 “THERE IS NO COOLING OFF PERIOD  
6

7 California law does not provide for a “cooling off” or other  
8 cancellation period for vehicle leases. Therefore, you cannot later  
9 cancel this lease simply because you change your mind, decided  
10 the vehicle costs too much, or wish you had acquired a different  
11 vehicle. You may cancel this lease only with the agreement of the  
12 lessor or for legal cause, such as fraud.”  
13

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

19 (g) The lease contract shall be signed by the lessor and lessee,  
20 or their authorized representatives, and an exact copy of the fully  
21 executed lease contract shall be provided to the lessee at the time  
22 of signing.

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

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

29 (j) If the lease contract contains a provision that holds the lessee  
30 liable for the difference between (1) the adjusted capitalized cost  
31 disclosed in the lease contract reduced by the amounts described  
32 in subparagraph (A) of paragraph (5) of subdivision (b) of Section  
33 2987 and (2) the settlement proceeds of the lessee’s required  
34 insurance and deductible in the event of theft or damage to the  
35 vehicle that results in a total loss, the lease contract shall contain  
36 the following notice in at least 8-point boldface type on the first  
37 page of the contract:

## 1 “GAP LIABILITY NOTICE

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

10 ~~(k) This section shall become operative on July 1, 2012.~~

11 *(k) This section shall remain in effect only until October 1, 2026,*  
12 *and as of that date is repealed.*

13 SEC. 5. Section 2985.8 is added to the Civil Code, to read:

14 2985.8. (a) A lease contract shall be in writing, and the print  
15 portion of the contract shall be printed in at least 8-point type and  
16 shall contain in a single document all of the agreements of the  
17 lessor and lessee with respect to the obligations of each party.

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

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

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

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

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

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

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

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

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

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

39 (G) An itemization by type and agreed-upon value of each good  
40 or service included in the gross capitalized cost other than those

1 items included in the disclosures required in subparagraphs (A)  
2 to (F), inclusive.

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

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

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

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

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

25 (e) A lease contract shall contain the disclosure identified in  
26 subdivision (e) of Section 1784.43.

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

32 (g) The lease contract shall be signed by the lessor and lessee,  
33 or their authorized representatives, and an exact copy of the fully  
34 executed lease contract shall be provided to the lessee at the time  
35 of signing.

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

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

4 (j) If the lease contract contains a provision that holds the lessee  
5 liable for the difference between (1) the adjusted capitalized cost  
6 disclosed in the lease contract reduced by the amounts described  
7 in subparagraph (A) of paragraph (5) of subdivision (b) of Section  
8 2987 and (2) the settlement proceeds of the lessee's required  
9 insurance and deductible in the event of theft or damage to the  
10 vehicle that results in a total loss, the lease contract shall contain  
11 the following notice in at least 8-point boldface type on the first  
12 page of the contract:

13  
14 "GAP LIABILITY NOTICE

15  
16 *In the event of theft or damage to the vehicle that results in a*  
17 *total loss, there may be a GAP between the amount due upon early*  
18 *termination and the proceeds of your insurance settlement and*  
19 *deductible. THIS LEASE PROVIDES THAT YOU ARE LIABLE*  
20 *FOR THE GAP AMOUNT. Optional coverage for the GAP amount*  
21 *may be offered for an additional price."*

22  
23 (k) This section shall become operative on October 1, 2026.

24 ~~SEC. 2.~~

25 SEC. 6. Section 6012.3 of the Revenue and Taxation Code is  
26 amended to read:

27 6012.3. (a) For purposes of this part, "gross receipts" and  
28 "sales price" do not include that portion of the sales price returned  
29 to the purchaser of a used motor vehicle or the purchase price for  
30 the purchase of a contract cancellation option pursuant to Section  
31 11713.21 of the Vehicle Code.

32 (b) This section shall remain in effect only until October 1,  
33 2026, and as of that date is repealed.

34 ~~SEC. 3.~~

35 SEC. 7. Section 6012.3 is added to the Revenue and Taxation  
36 Code, to read:

37 6012.3. (a) For purposes of this part, "gross receipts" and  
38 "sales price" do not include that portion of the sales price returned  
39 to the purchaser of a used motor vehicle *or any restocking fees*  
40 pursuant to Section 1784.43 of the Civil Code.



1 (b) This section shall become operative October 1, 2026.

2 ~~SEC. 4.~~

3 *SEC. 8.* Section 11709.2 of the Vehicle Code is amended to  
4 read:

5 11709.2. (a) Every dealer shall conspicuously display a notice,  
6 not less than eight inches high and 10 inches wide, in each sales  
7 office and sales cubicle of a dealer's established place of business  
8 where written terms of specific sale or lease transactions are  
9 discussed with prospective purchasers or lessees, and in each room  
10 of a dealer's established place of business where sale and lease  
11 contracts are regularly executed, which states the following:

12  
13 "THERE IS NO COOLING-OFF PERIOD UNLESS YOU  
14 OBTAIN A CONTRACT CANCELLATION OPTION  
15

16 California law does not provide for a "cooling-off" or other  
17 cancellation period for vehicle lease or purchase contracts.  
18 Therefore, you cannot later cancel such a contract simply because  
19 you change your mind, decide the vehicle costs too much, or wish  
20 you had acquired a different vehicle. After you sign a motor vehicle  
21 purchase or lease contract, it may only be canceled with the  
22 agreement of the seller or lessor or for legal cause, such as fraud.

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

30 (b) This section shall remain in effect only until October 1,  
31 2026, and as of that date is repealed.

32 ~~SEC. 5.~~

33 *SEC. 9.* Section 11709.2 is added to the Vehicle Code, to read:

34 11709.2. (a) Every dealer shall conspicuously display a  
35 *physical* notice, ~~not less than three feet high and three feet wide,~~  
36 *in at least 36-point type*, in each sales office and sales cubicle of  
37 a dealer's established place of business where written terms of  
38 specific sale or lease transactions are discussed with prospective  
39 purchasers or lessees, and in each room of a dealer's established

1 place of business where sale and lease contracts are regularly  
2 executed that states the following:

3  
4 “CALIFORNIA DOES NOT HAVE A COOLING-OFF  
5 PERIOD FOR NEW VEHICLES. BUT IF YOU PURCHASED  
6 OR LEASED A USED VEHICLE FOR \$~~\_\_\_\_\_~~ OR \$50,000 OR  
7 LESS, YOU HAVE 3-BUSINESS DAYS TO CANCEL THIS  
8 CONTRACT FOR ANY REASON. ADDITIONAL  
9 RESTRICTIONS MAY APPLY, INCLUDING A RESTOCKING  
10 FEE. ASK THE DEALER FOR MORE INFORMATION ABOUT  
11 HOW TO EXERCISE THIS RIGHT.”  
12

13 (b) If the dealer also sells or leases motorcycles or off-highway  
14 motor vehicles at the same location as vehicles subject to the right  
15 to cancel, the physical notice shall contain the following additional  
16 language, in at least 36-point type:

17 ~~This~~

18 “This cooling-off period also does not apply to the sale of a  
19 motorcycle or an off-highway motor vehicle subject to registration  
20 under California law. See the vehicle contract for details.”

21 ~~(b) A dealer shall fill in the blank in each notice required by~~  
22 ~~subdivision (a) with the dollar amount described in subdivision~~  
23 ~~(f) of Section 1784.43 of the Civil Code and shall update the~~  
24 ~~amount on or before June 1, 2027, and every June 1 thereafter.~~

25 (c) This section shall become operative October 1, 2026.

26 ~~SEC. 6.~~

27 ~~SEC. 10.~~ Section 11713.21 of the Vehicle Code is amended to  
28 read:

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

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

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

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

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

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

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

18 (b) To comply with subdivision (a), and notwithstanding Section  
19 2981.9 of the Civil Code, a contract cancellation option agreement  
20 shall be contained in a document separate from the conditional  
21 sales contract or other vehicle purchase agreement and shall  
22 contain, at a minimum, the following:

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

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

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

32 (4) A statement that clearly and conspicuously specifies the  
33 dollar amount of any restocking fee the buyer must pay to the  
34 dealer to exercise the right to cancel the purchase under the contract  
35 cancellation option. The restocking fee shall not exceed one  
36 hundred seventy-five dollars (\$175) if the vehicle’s cash price is  
37 five thousand dollars (\$5,000) or less, three hundred fifty dollars  
38 (\$350) if the vehicle’s cash price is less than ten thousand dollars  
39 (\$10,000), and five hundred dollars (\$500) if the vehicle cash price  
40 is ten thousand dollars (\$10,000) or more. The dealer shall apply

1 toward the restocking fee the price paid by the buyer for the  
2 contract cancellation option. The price for the purchase of the  
3 contract cancellation option is not otherwise subject to setoff or  
4 refund.

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

14 (A) Excess mileage.

15 (B) Unrepaired damage.

16 (C) Excess wear and tear.

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

22 (7) A statement that the contract cancellation option gives the  
23 buyer the right to cancel the purchase and obtain a full refund,  
24 minus the purchase price for the contract cancellation option  
25 agreement; and that the right to cancel will apply only if, within  
26 the time specified in the contract cancellation option agreement,  
27 the following are personally delivered to the selling dealer by the  
28 buyer: a written notice exercising the right to cancel the purchase  
29 signed by the buyer; any restocking fee specified in the contract  
30 cancellation option agreement minus the purchase price for the  
31 contract cancellation option agreement; the original contract  
32 cancellation option agreement and vehicle purchase contract and  
33 related documents, if the seller gave those original documents to  
34 the buyer; all original vehicle titling and registration documents,  
35 if the seller gave those original documents to the buyer; and the  
36 vehicle, free of all liens and encumbrances, other than any lien or  
37 encumbrance created by or incidental to the conditional sales  
38 contract, any loan arranged by the dealer, or any purchase money  
39 loan obtained by the buyer from a third party, and in the same  
40 condition as when it was delivered by the dealer to the buyer,

1 reasonable wear and tear and any defect or mechanical problem  
2 that manifests or becomes evident after delivery that was not caused  
3 by the buyer excepted, and which must not have been driven  
4 beyond the mileage limit specified in the contract cancellation  
5 option agreement. The agreement may also provide that the buyer  
6 will execute documents reasonably necessary to effectuate the  
7 cancellation and refund and as reasonably required to comply with  
8 applicable law.

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

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

33 (c) (1) No later than the second day following the day on which  
34 the buyer exercises the right to cancel the purchase in compliance  
35 with the contract cancellation option agreement, the dealer shall  
36 cancel the contract and provide the buyer with a full refund,  
37 including that portion of the sales tax attributable to amounts  
38 excluded pursuant to Section 6012.3 of the Revenue and Taxation  
39 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 a downpayment or trade-in, or its value as stated in the contract or purchase order, whichever is greater.

(3) If the buyer was charged for the contract cancellation option agreement, the dealer shall retain any motor vehicle the buyer left with the dealer as a downpayment or trade-in until the buyer exercises the right to cancel or the right to cancel expires. If the buyer exercises the right to cancel the purchase, 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 inadvertently sold or otherwise transferred title to the motor vehicle as the result of a bona fide error, notwithstanding reasonable procedures designed to avoid that error, the inadvertent sale or transfer of title shall not be deemed a violation of this paragraph, and the full refund described in paragraph (1) shall include the retail market value of the motor vehicle left as a downpayment or trade-in, or its value as stated in the contract or purchase order, whichever is greater.

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

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

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

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

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

14 (i) This section shall remain in effect only until October 1, 2026,  
15 and as of that date is repealed.