

Motor Vehicle Leases

By George Hathaway

Ford Motor Credit Company has recently revised its agreement form for motor vehicle leases. This new form is a great improvement over the usual lease. (See Figure 1. The figure is in smaller print than the form itself.) Therefore, we give our first Clarity Award of the year to the Ford Motor Credit Company Legal Office team of Robert Aitken, Margaret Cumming, Paula Kelly, Richard Mossburg, Stephen Secrest, Stanley Szuba, and Karen Watkins, for developing Ford Credit's Michigan Red Carpet Motor Vehicle Lease Agreement.

Notice that the lease does not contain any of the following items in our Legalese List:

- Formalisms such as *whereas* or *witnesseth* or *In witness whereof*.
- Archaic words such as *hereby*, *herein*, *after referred to as*, or *therein*.
- Redundancies such as *any and all*, *consent and agree*, *free and clear*, and *terms and conditions*.

Notice also that the lease uses short sentences (15 words a sentence); strong active-voice verbs such as "You must maintain" and "This includes"; and simple words such as *under* rather than wordy phrases such as *pursuant to*.

According to Mr. Aitken:

Ford Credit management was committed to developing a "best-in-class" lease to use in our market-leading Red Carpet lease program, and we used the adoption of voluntary disclosure standards by two industry trade associations, American Financial Services Association and Association of Consumer Vehicle Lessors, as the catalyst for the change. These standards, which were strongly supported by Ford Credit, provide for the disclosure of "Capitalized Cost," "Capitalized Cost Reductions," and "Net Capitalized Cost." These numbers (lease section #1) form the basis for calculating the monthly payment.

Besides adding the disclosure section, we rewrote our 1987 lease with the goal of providing customer-friendly language and layout. To do this we compared our lease with about a dozen other leases in the industry,

which all contained the same basic material. We broke down all the leases and performed a best-in-class analysis by comparing the leases topic by topic, paragraph by paragraph, and clause by clause. The result was modifications in the substance and style of our previous lease. Here are some examples of what we did:

1. Reduced the number of words by about a thousand.
2. Rephrased to improve readability.
3. Grouped the "detail" sections (#15-31) under headings.
4. Highlighted the primary financial-disclosure sections with icons.
5. Provided an inviting color scheme that assists in visual grouping of sections.
6. Added more unused white space to avoid a cluttered look.

We believe the resulting innovative document will be pleasing to both dealers and customers and, more importantly, improve consumers' understanding of their leases.

Conclusion

The Ford Credit form is a good example of a contract for the sale or lease of personal property. This form proves that contracts for the sale or lease of personal property can be written in reasonably plain English without legalese. The team in the Ford Motor Credit Company Legal Office did not rationalize the use of legalese because of precision, complexity, case precedent, statute, or inertia. They wanted to write a contract without legalese. And they just did it. ■

"Plain Language" is a regular feature of the **Michigan Bar Journal**, edited by Joseph Kimble for the State Bar's Plain English Committee. The assistant editor is George Hathaway, chair of the Committee. The Committee seeks to improve the clarity of legal writing and the public opinion of lawyers by eliminating legalese. Want to contribute a plain English article? Contact Prof. Kimble at Thomas Cooley Law School, P.O. Box 13038, Lansing, MI 48901.

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Figure 1—Sample Provisions from the Lease Form

1-800-727-7000	Michigan Motor Vehicle Lease Agreement	Lease Date _____
	Lessee (and Co-Lessee) — Name and Address (including COUNTY) Lessor — Name and Address	
"Ford Credit" is Ford Motor Credit Company. The "Holder" is _____ and its assigns.		
New/Used/Demo	Mileage at Delivery	Year/Make/Model
		GVW if Truck (lbs.)
		Vehicle ID Number
		Vehicle Use
By signing on the back, You (Lessee and Co-Lessee) agree to lease this Vehicle according to the terms on the front and back of this Lease.		

<p>1. LEASE INFORMATION</p> <p>(a) CAPITALIZED COST \$ _____</p> <p>(b) CAPITALIZED COST REDUCTIONS (2a)+(2b)+(2c) - \$ _____</p> <p>(c) NET CAPITALIZED COST = \$ _____</p> <p>(d) LEASE END RESIDUAL VALUE - \$ _____</p> <p>(e) LEASE DEPRECIATION = \$ _____</p> <p>(f) LEASE CHARGES + \$ _____</p> <p>(g) TOTAL OF BASE MONTHLY PAYMENTS = \$ _____</p> <p>(h) LEASE TERM + _____ MONTHS</p> <p>(i) BASE MONTHLY PAYMENT (See Item 3) = \$ _____</p>	<p>9. FEES AND TAXES</p> <p>This is the total estimated amount You are to pay during the term of this Lease for official fees, registration, certificate of title, license fees and taxes. \$ _____</p>	<p>10. EXCESS MILEAGE CHARGE</p> <p>At the scheduled end of this Lease, You must pay to Lessor _____ cents per mile for each mile in excess of _____ miles shown on the odometer.</p> <p><i>Extra Mileage Option Credit</i> At the scheduled end of this Lease, You may receive a credit of _____ cents per unused mile for the number of unused miles between _____ and _____ miles, less any amounts You owe under this Lease. You will not receive a credit if the Vehicle is destroyed, if You early terminate, exercise any purchase option, are in default, or the credit is less than \$1.00.</p>
<p>2. PAYMENTS DUE AT LEASE SIGNING</p> <p>(a) Cash \$ _____</p> <p>(b) Net Trade-In Allowance \$ _____</p> <p>(c) Rebates \$ _____</p> <p>(d) Security Deposit (Refundable) \$ _____</p> <p>(e) First Monthly Payment \$ _____</p> <p>(f) Registration Fees \$ _____</p> <p>(g) Certificate of Title Fee \$ _____</p> <p>(h) _____ \$ _____</p> <p>(i) _____ \$ _____</p> <p>(j) _____ \$ _____</p> <p>(k) _____ \$ _____</p> <p>(l) _____ \$ _____</p> <p>TOTAL PAYMENT DUE AT LEASE SIGNING \$ _____</p>	<p>11. LEASE END PURCHASE OPTION PRICE</p> <p>\$ _____ plus official fees, taxes and other charges (including repair costs) required by law. You have the option to purchase the Vehicle from Lessor in cash for the Purchase Option Price at the end of this Lease. You do not have the option to purchase upon default or early termination.</p>	

VEHICLE MAINTENANCE, INSURANCE AND USE	
<p>15. VEHICLE MAINTENANCE AND OPERATING COSTS You must maintain and service the Vehicle at Your own expense. This includes following the owner's manual and maintenance schedule and making all needed repairs. You are also responsible for all operating costs such as gas and oil. Lessor will provide the service(s) identified in Item 14 under the terms of a separate agreement.</p> <p>16. VEHICLE INSURANCE You must insure the Vehicle during this Lease. This insurance must be acceptable to Ford Credit and protect You and Holder with (a) comprehensive fire and theft insurance with a maximum deductible amount of \$1,000; and (b) collision and upset insurance with a maximum deductible of \$1,000; and (c) automobile liability insurance with minimum limits for bodily injury or death of \$100,000 for any one person and \$300,000 for any one accident, and \$25,000 for property damage. You will list the loss payee and additional insured as requested by Lessor. You must give Ford Credit evidence of this insurance.</p>	<p>You authorize Ford Credit, on Your behalf, to receive and endorse checks or drafts, and settle or release any claim under the insurance related to Holder's ownership of the Vehicle. You also assign to Holder any other insurance proceeds related to this Lease or Holder's interest in the Vehicle.</p> <p style="text-align: center;">LESSOR IS NOT PROVIDING VEHICLE INSURANCE OR LIABILITY INSURANCE</p> <p>17. VEHICLE USE AND SUBLEASING You will not use, or permit others to use the Vehicle (a) in violation of any law, (b) contrary to the provisions of any insurance policies covering the Vehicle, (c) outside the state where first titled or registered for more than 30 days without Ford Credit's written consent, (d) outside the United States, except for less than 30 days in Canada, or (e) as a private or public carrier. You will keep this Lease and Vehicle free of all liens and encumbrances. You will not assign or sublease any interest in the Vehicle or Lease without Ford Credit's written consent.</p>

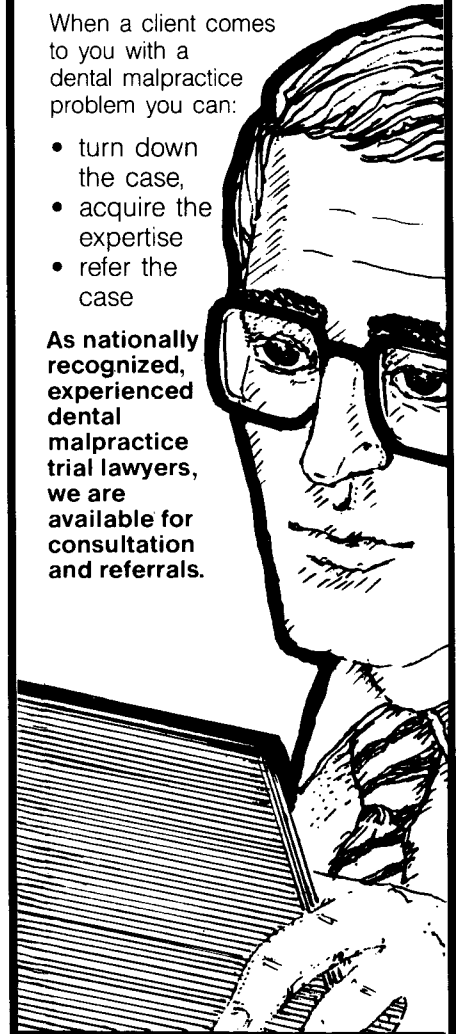
SIGNATURES AND IMPORTANT NOTICES	
<p>Modification: This Lease sets forth all of the agreements of Lessor and You for the lease of the Vehicle. There is no other agreement. Any change in this Lease must be in writing and signed by You and Ford Credit.</p>	
Lessee: _____	By: _____ Title: _____
Co-Lessee: _____	By: _____ Title: _____
<p>NOTICE: (1) Do not sign this Lease before You read it or if it has any blank space to be filled in. (2) You have the right to get a filled-in copy of this Lease. You state that You have been given a filled-in copy of this Lease at the time You sign it and notice of an assignment of this Lease by the Lessor to Holder.</p>	
Lessee: _____	By: _____ Title: _____
Co-Lessee: _____	By: _____ Title: _____
<p>Lessor accepts this Lease and assigns it to Holder under the terms of the agreements between Lessor and Holder. <input type="checkbox"/> WOR <input type="checkbox"/> RPP</p>	
Lessor: _____	By: _____ Title: _____

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