

Preliminary Observations based on Submissions to the Truck Leasing Task Force Request for Information

CFPB Presentation to the Truck Leasing Task Force | July 18, 2024



Disclaimer

This presentation is being made by a Consumer Financial Protection Bureau representative on behalf of the Bureau. It does not constitute legal interpretation, guidance, or advice of the Consumer Financial Protection Bureau. Any opinions or views stated by the presenter are the presenter's own and may not represent the Bureau's views.

Table of contents

- Introduction
- Five differences emerged between light vehicle financing and truck leases in responses to the RFI
 - Absence of comprehensible financial disclosures
 - Broad default provisions
 - Expansive remedy provisions
 - Use of escrow accounts and personal guarantees
 - Ease of inducing driver to relinquish truck
- RFI responses suggest potential cycle

TLTF legal mandate

- Section 23009 of the Infrastructure Investment and Jobs Act (IIJA), Pub. L. No. 117-58 (2021), created the Truck Leasing Task Force (TLTF).
- The IIJA tasks the TLTF with examining, at a minimum:
 - (1) common truck leasing arrangements available to commercial motor vehicle drivers, including lease-purchase agreements;
 - (2) the terms of the leasing agreements described in paragraph (1);
 - (3) (A) the existence of inequitable leasing agreements and terms in the motor carrier industry;
 - (B) whether any such inequitable terms and agreements affect the frequency of maintenance performed on vehicles subject to those agreements; and
 - (C) whether any such inequitable terms and agreements affect whether a vehicle is kept in a general state of good repair;
 - [...]
 - (6) whether truck leasing agreements properly incentivize the safe operation of vehicles, including driver compliance with the hours of service regulations and laws governing speed and safety generally;

Overview of the RFI

- On February 16, 2024, the Federal Motor Carrier Safety Administration (FMCSA) issued a request for information (RFI) to, “assist the Agency’s Truck Leasing Task Force (TLTF) in reviewing Commercial Motor Vehicle (CMV) leases to identify terms and conditions that may be unfair to drivers.”¹ All references to the “RFI” in the presentation refer to this.
- 46 responses were received. All but two came from truck drivers or advocates. One came from an affiliated financing company to a large motor carrier, and one came from a trade group of motor carriers.
- Every document image and quote used in this presentation is from responses submitted to the RFI. We have anonymized the quotes and redacted information that could be used to identify respondents from images. If a quote and contract text are on the same slide, they are from the same RFI submission.
- Sources utilized include information from CFPB and other government agencies, widely used industry studies like the American Transportation Research Institute (ATRI)’s *Analysis of the Operational Costs of Trucking*,² academic research such as *The Big Rig*,³ and news reports from both trucking and national news outlets. There will be a full set of citations in the companion report.
- Each “lease” in this presentation is a truck lease-purchase agreement. Independent contractor operating agreements are referred to as “ICOAs.”

Five noted differences between light vehicle financing and truck leases in responses to the RFI

- 1) Absence of comprehensible financial disclosures
- 2) Broad default provisions
- 3) Expansive remedy provisions
- 4) Use of escrow accounts and personal guarantees
- 5) Ease of inducing driver to relinquish truck

The subsequent slides will provide examples to illustrate each of these points.

Absence of comprehensible financial disclosures

Lease

VEHICLE LEASE-PURCHASE AGREEMENT

THIS VEHICLE LEASE-PURCHASE AGREEMENT is made and entered into force on _____ by _____ (hereinafter known as "Seller") represented by _____ and _____ (hereinafter known as "Buyer"), represented by _____ as _____.

Buyer and Seller shall collectively be known hereinafter as "the Parties"

I. GENERAL PROVISIONS

WHEREAS, Seller desires to sell the vehicle described below, known hereinafter as the "Acquired Vehicle", under the terms and conditions set forth below;

WHEREAS, Buyer desires to purchase the Acquired Vehicle offered for sale by Seller under the terms and conditions set forth below; and

THEREFORE,

II. TERMS AND CONDITIONS

IN CONSIDERATION of the mutual promises and other valuable consideration exchanged by the Parties as set forth herein, the Parties, intending to be legally bound, hereby agree as follows:

Description of Acquired Vehicle

Model: _____
Body type: TRACTOR
Body color: WHITE
Year: 2023
Miles: _____
Vehicle Identification Number ("VIN") _____

III. PAYMENT TERMS AND PURCHASE PRICE

1. **Purchase Price.** The total purchase price to be paid by Buyer to Seller for the Acquired Vehicle is _____ dollars U.S.) (hereinafter "Purchase Price"), consisting of the following components:

Payment Due of _____, which will be deducted from Buyer's paychecks in equal weekly installments of \$ _____ each during _____ weeks / _____ years.

2. Payment terms

a. This VEHICLE LEASE-PURCHASE AGREEMENT is concluded for a period of _____ weeks, from the day of _____ to the day of _____.

b. Non-fulfillment of payment obligations

In case the Buyer fails to pay the full amount indicated above for the Acquired Vehicle, the amounts paid under this Agreement will not be reimbursed to the Buyer, the period for which it was paid being considered as a Vehicle Rental term.

IV. DELIVERY OF ACQUIRED VEHICLE and CONVEYANCE OF TITLE

a. **Delivery of Acquired Vehicle.** Seller shall deliver the Acquired Vehicle and Buyer shall take possession of same at the following address:

on the day of _____. It is Buyer's duty, either in person or through a third party, to appear at the address provided by the Seller during standard business hours to take the Acquired Vehicle.

b. **Conveyance of Title.** Seller shall convey the Title to Buyer upon receipt from the Buyer of full payment for the Acquired Vehicle. The Seller agrees to execute all documents which are necessary to finalize the transfer of Title and registration upon the Acquired Vehicle to the Buyer.

Absence of comprehensible financial disclosures

Lease

VI. INSURANCE and LICENSE PLATES

The Seller undertakes to get the license plates and physical damage insurance for the Acquired Vehicle. The amount paid for the license plates will be deducted from one of Buyer's weekly paychecks.

The monthly rate for the physical damage for the truck is established at _____. The rate for the physical damage insurance will be deducted from Buyer's weekly paychecks once per month.

The down payment of _____ paid for the physical damage insurance will be deducted from one of Buyer's weekly paychecks in a single installment.

The above-mentioned amounts are specified in Annex no. 1 to the present Lease-Purchase Agreement.

Annex no. 1

to the

VEHICLE LEASE-PURCHASE AGREEMENT

dated as of _____

Item no.	Item description	Amount/US\$	Payment terms
1.	Down payment physical damage insurance	TBA	1 single installment
2.	Monthly rate for physical damage	TBA	monthly
3.	_____ rate for truck purchase	\$ _____	_____ installments during _____
4.	License plates for the truck	TBA	1 single installment

IN WITNESS WHEREOF and acknowledging acceptance and agreement of the foregoing, the Seller and Buyer affix their signatures hereto.

SELLER

Print name

Signature

Dated: _____

BUYER

Print name

Signature

Dated: _____

Lease

FOR THE EQUIPMENT FOR ALL PERIODS COMMENCING PRIOR TO SUCH TERMINATION. Upon the exercise of the foregoing Lessee option to purchase, Lessor shall execute and deliver to Lessee all documents necessary and proper to effect transfer of ownership of the Equipment to Lessee, free and clear of all encumbrances, security interests, and liens.

SCHEDULE A

STIPULATED LOSS VALUE SCHEDULE

The parties to this Lease agree that the value of the Equipment is the amount shown below for each date.

[illegible]

This SCHEDULE A, which completely replace and supersedes any earlier schedule, addendum, or other provision of this Lease relating to the same subjects, is agreed to by the undersigned parties as of the start of the Term of this Lease, set forth by Section 2(a).

LESSOR: _____

LESSEE: [REDACTED]

Social Security or Taxpayer ID No.

By:

45

Signature _____

Signature _____

Authorized Rep.'s Name (Typed or Printed)

Authorized Rep.'s Name (Typed or Printed)

Title

Title

Date _____

Date _____

Absence of comprehensible financial disclosures

Paystub

Earnings									
Unit	Order#	Disp	Ld Date	Origin	Destination	Load	Empty	Rate	Revenue Amount
			/2022			50	0	1.230	\$ 61.50
			/2022			1,003	91	1.200	\$ 1,312.80
			/2022			0	0	0.000	\$ 80.00
									\$1,454.30
Reimbursements									
Unit	Order#	Disp	Reb Date	Description	Amount				
			/2022	UNLOADING PAY LUMPER	\$125.00				
			/2022	UNLOADING PAY LUMPER	\$337.00				
				FUEL SURCHARGE	\$26.00				
				FUEL SURCHARGE	\$557.94				
									\$1,045.94
Total Reim:									
Deductions									
Unit	Order#	Disp	Ded Date	Description	Amount				
			/2022	-FUEL -	\$ 0.56				
			/2022	-FUEL -	\$ 401.60				
			/2022	-FUEL -	\$ 544.65				
			/2022	-EFS -	\$ 0.75				
			/2022	-EFS -	\$ 0.75				
			/2022	-EFS -	\$ 0.75				
			/2022	QUALCOMM USAGE	\$ 11.53				
			/2022	INS/LIABILITY	\$ 7.62				
			/2022	INS/OCCUPATIONAL ACC	\$ 36.62				
			/2022	INS/PHYSICAL DAMAGE	\$ 135.55				
			/2022	AMERICAN TRUCK TAX	\$ 23.99				
			/2022	TIRE/MAINTENANCE ESCR	\$ 57.20				
			/2022		\$ 125.00				
			/2022		\$ 337.00				
			/2022	LEASE PAYMENT	\$ 297.44				
			/2022	LEASE PAYMENT	\$ 120.00				
			/2022		\$ 46.72				
Total Ded:									\$2,147.73
Estimated Quarter Miles									
Net									\$ 352.51

Lease

Equipment Lease

Escrow statement

Tractor Loan Current Balance	177,436.39
-------------------------------------	------------

Broad default provisions

Lease

15. DEFAULT. Lessee shall be in default of this Lease in the event any of the following occurs; (a) Lessee fails to make any Weekly Payment or other payment when due; (b) Lessee breaches any obligation under this Lease including, but not limited to the covenant to comply with Federal safety regulations, or any other agreement with Lessor; (c) Lessee or any guarantor dies; (d) Lessee or guarantor become insolvent or unable to pay Lessee's debts when due; (e) Lessee stops doing business as a going concern; (f) Lessee transfers all or substantially all of Lessee's assets; (g) Lessee or guarantor makes an assignment for the benefit of creditors; (h) Lessee or a guarantor voluntarily files for bankruptcy or has bankruptcy involuntarily filed against Lessee; (i) a trustee, receiver, or liquidator is appointed for Lessee or guarantor; or (j) Lessee, in Lessor's sole discretion, has neglected, abused, or misused the Tractor in any way.

Additional terms and conditions

I, [REDACTED], AGREE WITH FOLLOWING **TERMS AND CONDITIONS:**

- 1. Communication is THE KEY.** (Msg dispatch before going to bunk or 7am)
- 2. EDUCATED DISPATCH,** you have to accept the loads booked by the dispatcher.

Expansive remedy provisions

Lease

16. **REMEDIES.** In the event of a Default, Lessor may take any or all of the following actions, in addition to any other action available under the law: (1) Lessor may declare the entire balance of the unpaid Weekly Payments for the full term and all other amounts immediately due and payable. Lessor may sue for and receive all Weekly Payments and other payments then accrued or accelerated under this Lease, including but not limited to late fees, expenses and other charges. Following Default, all accelerated Weekly Payments shall accrue interest at a rate of eighteen percent (18%) per year; (2) Lessor may terminate the Lease; (3) Lessor may require Lessee to return the Tractor to Lessor and, in the event Lessee fails to return the Tractor, Lessor may enter upon Lessee's premises peaceably with or without legal process where the Tractor is located and repossess the Tractor. Such return or repossession of the Tractor will not constitute a termination of this Lease unless Lessor expressly notifies Lessee of such in writing. In the event the Tractor is returned to Lessor or repossessed by Lessor and, unless Lessor has terminated this Lease, Lessor may sell or re-lease the Tractor to any persons upon any terms Lessor may choose in its sole discretion, with or without notice to Lessee, and apply the net proceeds after deducting the costs and expenses of such sale or re-lease, to Lessee's obligations under this Lease with Lessee remaining liable for any deficiency and with any excess being retained by Lessor. Lessee agrees that Lessor is not required to repossess and remarket the Tractor; (4) Lessor may replevin the Tractor without the necessity of posting a bond; or (5) Lessor may setoff the funds due to Lessor under this Lease against any amounts owed by Lessor to Lessee or held by Lessor for the benefit of Lessee.

Lessee agrees to pay all expenses, including attorneys' fees, incurred by Lessor in connection with the enforcement of any remedies under this Lease, including but not limited to, expenses of repossessing, storing, shipping, repairing and selling the Tractor.

Broad default and expansive remedy provisions: Compliance with hours-of-service regulations

Lease

15. **DEFAULT.** Lessee shall be in default of this Lease in the event any of the following occurs; (a) Lessee fails to make any Weekly Payment or other payment when due; (b) Lessee breaches any obligation under this Lease including, but not limited to the covenant to comply with Federal safety regulations, or any other agreement with Lessor; (c) Lessee or any guarantor dies; (d) Lessee or guarantor become insolvent or unable to pay Lessee's debts when due; (e) Lessee stops doing business as a going concern; (f) Lessee transfers all or substantially all of Lessee's assets; (g) Lessee or guarantor makes an assignment for the benefit of creditors; (h) Lessee or a guarantor voluntarily files for bankruptcy or has bankruptcy involuntarily filed against Lessee; (i) a trustee, receiver, or liquidator is appointed for Lessee or guarantor; or (j) Lessee, in Lessor's sole discretion, has neglected, abused, or misused the Tractor in any way.

16. **REMEDIES.** In the event of a Default, Lessor may take any or all of the following actions, in addition to any other action available under the law: (1) Lessor may declare the entire balance of the unpaid Weekly Payments for the full term and all other amounts immediately due and payable. Lessor may sue for and receive all Weekly Payments and other payments then accrued or accelerated under this Lease, including but not limited to late fees, expenses and other charges. Following Default, all accelerated Weekly Payments shall accrue interest at a rate of eighteen percent (18%) per year; (2) Lessor may terminate the Lease; (3) Lessor may require Lessee to return the Tractor to Lessor and, in the event Lessee fails to return the Tractor, Lessor may enter upon Lessee's premises peaceably with or without legal process where the Tractor is located and repossess the Tractor. Such return or repossession of the Tractor will not constitute a termination of this Lease unless Lessor expressly notifies Lessee of such in writing. In the event the Tractor is returned to Lessor or repossessed by Lessor and, unless Lessor has terminated this Lease, Lessor may sell or re-lease the Tractor to any persons upon any terms Lessor may choose in its sole discretion, with or without notice to Lessee, and apply the net proceeds after deducting the costs and expenses of such sale or re-lease, to Lessee's obligations under this Lease with Lessee remaining liable for any deficiency and with any excess being retained by Lessor. Lessee agrees that Lessor is not required to repossess and remarket the Tractor; (4) Lessor may replevin the Tractor without the necessity of posting a bond; or (5) Lessor may setoff the funds due to Lessor under this Lease against any amounts owed by Lessor to Lessee or held by Lessor for the benefit of Lessee.

Lessee agrees to pay all expenses, including attorneys' fees, incurred by Lessor in connection with the enforcement of any remedies under this Lease, including but not limited to, expenses of repossessing, storing, shipping, repairing and selling the Tractor.

"I was finally 'terminated' because I refused to operate in the way they required drivers to run. Basically, when we would run out of hours at the end of our week and normally shut down for a 34 hour reset, this company would reset our clocks and give us a new load without every doing a reset. When I informed them that I wasn't interested, I was fired."

Additional terms and conditions

I, [REDACTED], AGREE WITH FOLLOWING TERMS AND CONDITIONS:

1. **Communication is THE KEY.** (Msg dispatch before going to bunk or 7am)
2. **EDUCATED DISPATCH,** you have to accept the loads booked by the dispatcher.

Broad default and expansive remedy provisions: Imperative to haul loads at the direction of the motor carrier

“After delivering the load I discovered missing equipment for the trailer to safely load any type of load on the trailer and told management. They wanted me to get a load back to the yard to fix the issue, illegally loading the trailer.”

ICOA

6). Company reserves right to terminate any agreement at any time for NO GIVEN REASON.

8). Cause for immediate discharge include the following:

- Dishonesty;
- Immoral conduct while on duty;
- Fighting;
- Possession of narcotics, or being under the influence of alcohol while on duty;
- Failure to immediately report an accident which results in fatality, injury or property damage;
- Failure to carry out instructions or a direct order of a supervisor;
- Theft;
- Participating in any activities that interfere with Company operation.



Broad default and expansive remedy provisions: Lack of control over repair and maintenance

“More than once I had to fight with them about double maintenance payments I find in paystubs. After awhile I started being charged interest on the negative maintenance escrow. There were times I was told I could only get repairs and [motor carrier affiliated repair shop], and after repairs were done. I was back in repair facility 1 or 2 weeks later, for the same repairs on the road. While the truck was at [motor carrier affiliated repair shop] never once did I receive [an] email or call of a repair quote. Just a bill of work completed.”

ICOA

IV. CONTRACTOR'S DUTIES

4.1 As a condition to its receiving any payments pursuant to Section 2.1 above, Contractor shall provide and continuously maintain the contracted motor vehicle equipment in good, safe, serviceable and efficient operating condition in all respects and shall bear and pay all expenses of operation of the motor vehicle equipment, including, but not limited to, the cost of fuels, lubricants, oils, parts, repairs, accessories, tires, tubes, and safety equipment so as to comply with all aforementioned governmental regulatory bodies' regulations and requirements. Carrier will make available its maintenance department for mechanical services to the Contractor. Contractor shall bear and pay to Carrier all expenses for services rendered by Carrier's maintenance department. At no time will the Contractor be forced or coerced to use the Carrier's maintenance department and may seek out services of independent mechanics at Contractor's expense.

VIII. TERM AND TERMINATION

8.1 Either party may terminate this Agreement at any time with or without cause upon written notice to the other party. Contract shall be in effect until canceled by either party.

Use of escrow accounts and personal guarantees:

Escrow accounts

Lease

Funds for a Maintenance Escrow Account (Account) for the leased item(s) will be collected from each of the LESSEE's settlement payments per the following schedule: 21 cents for the 1st year, 23 cents for the 2nd year, and 23 cents for the 3rd year. The Account funds will be used ONLY for repairs and maintenance of the leased item(s). ANY upgrades to the leased item(s) will have to be worked out between LESSEE and LEASING COMPANY. Account collections may be suspended by LESSEE if the Account has a balance of at least \$11,000. Collections will automatically recommence if the Account balance drops below \$11,000. IF THE LESSEE ever fails to perform or meet the obligations of this lease agreement, any & all funds in the maintenance will retained by LEASING COMPANY. If this Agreement is terminated for any reason, any & all funds in the Account will retained by LEASING COMPANY, in addition to a \$5,000 fee assessed to LESSEE for early termination of this Lease.

Use of escrow accounts and personal guarantees:

Personal guarantees

Lease

EXHIBIT A

PERSONAL GUARANTY

Effective as of the date indicated below, the undersigned ("GUARANTOR") hereby absolutely and unconditionally guarantees and promises to pay to _____ ("LESSOR") or to its order, all obligations of LESSEE to LESSOR and agrees that he/she shall be personally subject to and bound by all terms, conditions, restrictions and prohibitions contained in the TRACTOR LEASE AGREEMENT. Further, GUARANTOR agrees to personally act as surety for the full and faithful performance of all the obligations, commitments and payments required of the LESSEE in the TRACTOR LEASE AGREEMENT or otherwise. GUARANTOR agrees that LESSOR need not first pursue any remedies it may have against the LESSEE as a precondition for recovery under this Guaranty but may, instead, proceed directly and primarily against the GUARANTOR with or without joining the LESSEE. The Guarantor is both primarily liable and jointly and severally liable for such obligations, commitments, and payments required of LESSEE.

Signature of Guarantor: ✓ _____ Date: ✓ _____

Use of escrow accounts and personal guarantees:

Personal guarantees

Dunning letter from financing company's attorney

██████ current losses exceed **\$54,512.66**. While this amount does not include any accrued interest or the legal fees ██████ has incurred, ██████ is willing to accept this lesser amount in an effort to resolve this dispute without having to commence legal action.

In light of the foregoing, ██████ hereby demands that you remit payment of \$54,512.66 on or before January 22, 2024 at 5 p.m. EST.

If ██████ does not receive the aforementioned payment by the date and time set forth above, then ██████ will be left with no choice but to commence legal proceedings against you in the appropriate court of law. In doing so, ██████ will seek all available damages (including accrued interest and attorney's fees), and ██████ will request all available remedies under the law and the Agreement.

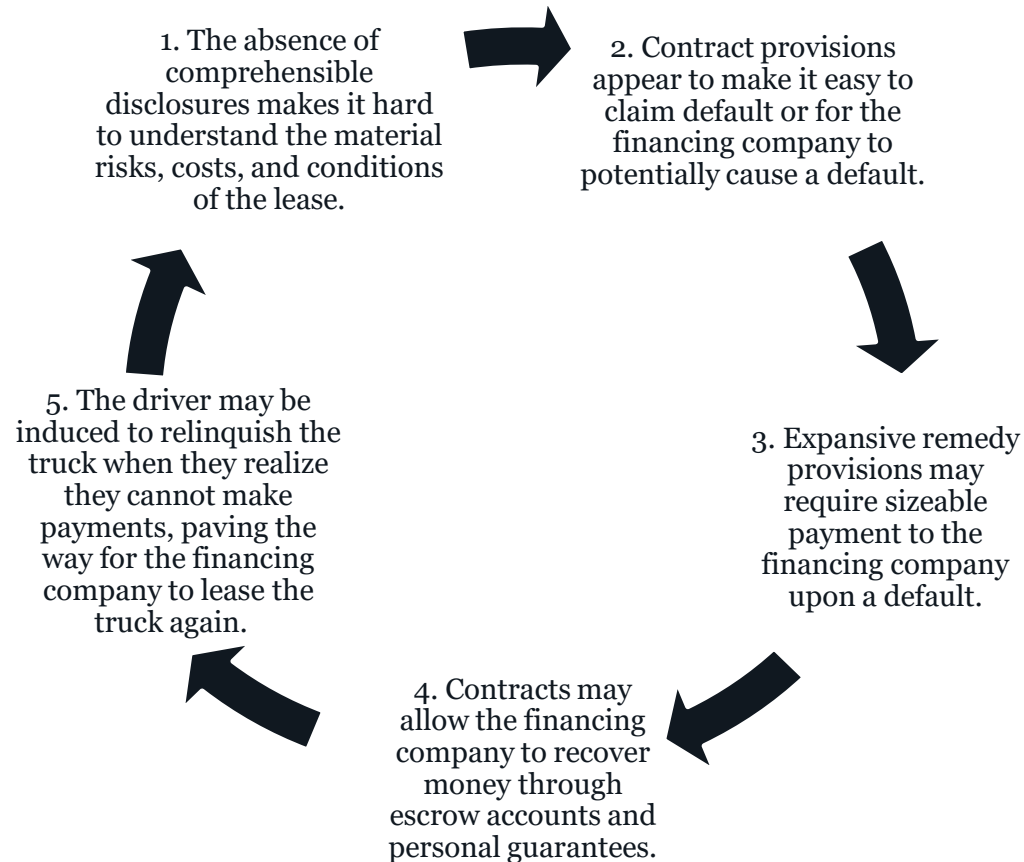


Ease of inducing driver to relinquish truck

“Even though the lessor scammed me I continued to make all my monthly payments on the vehicle while it was in my possession. I only missed one payment at the very end which was due to financial hardship caused by the lessor's actions. When the truck broke down I could not afford to have the truck towed all the way back to the lessor unfortunately. However, the tow driver gave me a suggestion. He suggested that I have them impound the truck at their shop that was 25 miles from the lessor's dealership. That way I wouldn't have to pay to have the vehicle towed.

I took his suggestion because I didn't want to simply abandon the lessor.s [sic] vehicle. On [date] I sent the lessor an email stating that I'm returning the truck due to financial hardship. I could not afford to have it towed directly to them. In the email I stated where the truck was being held and by whom it was being held by.”

RFI responses suggest potential cycle



Contact us



<https://www.consumerfinance.gov/about-us/contact-us/>

- Risk Monitoring Program Manager Ryan Kelly
ryan.kelly@cfpb.gov
- Senior Policy Fellow, Workers Initiative Emma Oppenheim
emma.oppenheim@cfpb.gov