

STANDARDS OF THE IOWA LEMON LAW

The following is a brief explanation of most relevant provisions of the Iowa lemon law. The complete text of the lemon law can be found at Iowa Chapter 322G *et seq.*

CONSUMERS COVERED

The Iowa lemon law covers persons who purchase or lease a new or previously untitled motor vehicle for purposes other than resale or sublease. The lemon law also covers any other person entitled by the warranty to enforce the obligations of the warranty during the lemon law rights period. The definition of “person” includes any natural person or his/her legal representative, a partnership, corporation, company, trust, business entity or association.

VEHICLES COVERED

The lemon law covers motor vehicles that are purchased or leased in Iowa and motor vehicles purchased or leased in other states if the consumer is a resident of Iowa at the time the consumer’s rights under the lemon law are asserted. The lemon law appears to cover used vehicles, but does not cover mopeds, motorcycles, or motor homes. The lemon law also excludes vehicles with a G.V.W. rating of over 10,000 pounds if purchased before July 1, 2014, and a G.V.W. rating of over 15,000 pounds if purchased or leased on or after July 1, 2014.

VEHICLE CONVERTERS

The lemon law applies to vehicle converters.

LEMON LAW RIGHTS PERIOD

The lemon law provides a Lemon Law Rights Period that ends at the earlier of:

1. The expiration of the manufacturer’s written warranty;
2. 24 months after the date of the initial retail delivery of a motor vehicle to a consumer; or
3. The first 24,000 miles of operation after such delivery.

PROBLEMS COVERED

The lemon law covers vehicle nonconformities. A nonconformity is defined as a defect, malfunction, or condition in a motor vehicle that renders the motor vehicle nonconforming to the terms of an applicable manufacturer’s warranty. This does not include a defect, malfunction, or condition that results from an accident, abuse, neglect, modification, or alteration of the motor vehicle by persons other than the manufacturer or its authorized service agent.

MANUFACTURER'S DUTY TO REPAIR

If a motor vehicle has a nonconformity and the consumer reports the nonconformity to the manufacturer, its agent, or authorized dealer during the Lemon Law Rights Period (see definition above), the nonconformity must be corrected, even if the repairs are made after the expiration of the Lemon Law Rights Period.

NOTICE AND OPPORTUNITY TO REPAIR

After (1) three attempts have been made to repair the same nonconformity that substantially impairs the motor vehicle; (2) one attempt has been made to repair a nonconformity that is likely to cause death or serious bodily injury; or (3) 20 or more cumulative days when the motor vehicle has been out of service by reason of repair of one or more nonconformities, a consumer may give written notification, by certified or registered mail or by overnight service, to the manufacturer of the need to repair the nonconformity to allow the manufacturer a final attempt to repair the nonconformity. Within ten days after receiving this notification, the manufacturer must contact the consumer to arrange for repairs at a reasonably accessible repair facility. After the motor vehicle is delivered to the repair facility, the manufacturer has an additional ten days to conform the motor vehicle to the warranty.

MANUFACTURER'S DUTY TO REPURCHASE OR REPLACE A VEHICLE

If the manufacturer, or its authorized service agent, does not correct one or more nonconformities that substantially impair a motor vehicle after a reasonable number of repair attempts, the manufacturer must, at the consumer's option, repurchase or replace the vehicle.

“SUBSTANTIALLY IMPAIR”

A nonconformity substantially impairs a motor vehicle if the nonconformity renders the motor vehicle unfit, unreliable, or unsafe for warranted or ordinary use, or if it significantly diminishes the value of the motor vehicle.

REASONABLE NUMBER OF REPAIR ATTEMPTS

The Iowa lemon law provides a presumption that the manufacturer and its authorized service agent have had a reasonable number of repair attempts if any of the following occurs during the Lemon Law Rights Period (see definition above):

1. the same nonconformity that substantially impairs the motor vehicle continues to exist after it has been subject to examination or repair at least three times by the manufacturer or its authorized service agent, plus a final attempt by the manufacturer to repair the vehicle made within 10 days after receipt of the consumer's notice of the need to repair the nonconformity by express, certified or registered mail;
2. a nonconformity that is likely to cause death or serious bodily injury continues to exist after it has been subject to examination or repair at least once by the manufacturer or its authorized service agent, plus a final attempt by the

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manufacturer to repair the vehicle made within 10 days after receipt of the consumer's notice by express, certified or registered mail; or

3. the vehicle is out of service for repair of any nonconformity that substantially impairs the motor vehicle for a cumulative total of thirty (30) or more calendar days, exclusive of down time for routine maintenance. The 30-day time period may be extended if repair services are unavailable because of war, invasion, strike, fire, flood, or natural disaster.

DISPUTE RESOLUTION

The lemon law provisions requiring repurchase or replacement of a nonconforming motor vehicle do not apply to a consumer who has not first used an informal dispute settlement procedure if:

1. The procedure has been certified by the Attorney General as complying with lemon law regulations; and
2. At the time of the vehicle's purchase or lease, the manufacturer clearly and conspicuously disclosed to the consumer in written materials accompanying the vehicle how and where to file a claim with the procedure.

TIME PERIOD FOR FILING CLAIMS

An action must be commenced within one year from the expiration of the Lemon Law Rights Period (see definition above).

If a consumer resorts to a certified program and a decision is not rendered in 60 days, the consumer may file an action in court within one year from the expiration of the lemon law rights period. If a consumer resorts to a certified program and is not satisfied with the manufacturer's performance of a decision, or the manufacturer does not perform within the time period specified by the decision, the consumer may file an action in court within six months after the date for performance specified in the decision. If a consumer resorts to a certified program but declines to accept the decision, the consumer may appeal the decision in court within 50 days after receipt of the decision or within 25 days from the date the consumer indicates acceptance of the decision to the manufacturer, whichever occurs first.

REMEDIES UNDER THE IOWA LEMON LAW

REPURCHASE OF OWNED VEHICLES

The Iowa lemon law provides that a manufacturer must pay the following amounts when it repurchases an owned vehicle under the lemon law:

1. *Vehicle purchase price.* This means the cash price paid for the vehicle appearing in the sales agreement, including any net allowance given for a trade-in vehicle;
2. *Collateral charges.* These are defined as additional charges to a consumer wholly incurred as a result of the acquisition of the motor vehicle, and include all use taxes and title charges; the cost of any manufacturer-installed or agent-installed options; and all earned finance charges; and
3. *Incidental charges.* These are defined as reasonable costs (not including loss of use, loss of income, or personal injury claims) incurred by the consumer as a direct result of the nonconformity, and include towing charges and costs of alternative transportation;
4. Less a reasonable offset for use by the consumer.

The refund must be made to the consumer and lienholder of record, if any, as their interests appear. At the time of the refund, the consumer or lienholder must furnish to the manufacturer clear title to and possession of the motor vehicle.

The reasonable offset for use is determined by the following formula:

$$\begin{array}{rcccl} \text{Reasonable} & & \# \text{ miles at time of manufacturer's third repair attempt of} & & \\ \text{offset for} & & \text{same nonconformity, or at first attempt to repair a} & & \\ \text{use} & = & \text{nonconformity likely to cause death or serious bodily} & & \\ & & \text{injury, or at 20th cumulative day that vehicle is out} & & \\ & & \text{of service for repair for nonconformity} & & \\ & & \underline{\hspace{10em}} & & \\ & & 120,000 & \times & \text{vehicle's} \\ & & & & \text{purchase} \\ & & & & \text{price} \end{array}$$

REPURCHASE OF LEASED VEHICLES

The Iowa lemon law provides that the manufacturer must pay the following amounts when it repurchases a leased vehicle:

To the Lessor: the lease price, defined as –

1. 105% of the lessor's actual purchase costs, minus the total of all deposit and lease payments paid by the lessee to the lessor;
2. Collateral charges (see above), if applicable;
3. Any fee paid to another to obtain the lease;

4. Any insurance premiums or other costs expended by the lessor for the benefit of the lessee, and
5. An amount equal to state and local use taxes paid by the lessor when the vehicle was purchased, not otherwise included as collateral charges.

To the Lessee:

1. All deposit and lease payments paid by the lessee to the lessor;
2. *Collateral charges*, defined as additional charges to a consumer wholly incurred as a result of the acquisition of the motor vehicle, and include all use taxes and title charges; the cost of any manufacturer-installed or agent-installed options; and all earned finance charges; and
3. *Incidental charges*, defined as reasonable costs (not including loss of use, loss of income, or personal injury claims) incurred by the consumer as a direct result of the nonconformity, including towing charges and costs of alternative transportation;
4. Less a reasonable offset for use by the consumer.

The consumer's lease agreement with the lessor is terminated upon payment of the refund and no penalty for early termination can be assessed. At the time of the refund, the consumer or lessor must furnish to the manufacturer clear title to and possession of the motor vehicle.

The Iowa lemon law states that a reasonable offset for the consumer's use of a leased vehicle shall be deducted from the amounts a manufacturer pays to the lessee when it repurchases or replaces a vehicle. The reasonable offset for use is determined by the following formula:

$$\begin{array}{rcl}
 \text{Reasonable offset for use} & = & \frac{\begin{array}{l} \# \text{ miles at time of manufacturer's third repair attempt of} \\ \text{same nonconformity, or at first attempt to repair a} \\ \text{nonconformity likely to cause death or serious bodily} \\ \text{injury, or at 20th cumulative day that vehicle is out} \\ \text{of service for repair for nonconformity} \end{array}}{120,000} \times \begin{array}{l} \text{lease price} \\ \text{plus 2\% of} \\ \text{purchase} \\ \text{price} \end{array}
 \end{array}$$

REPLACEMENT OF OWNED OR LEASED VEHICLES

If a manufacturer replaces a vehicle under the Iowa lemon law, the consumer must receive a replacement vehicle acceptable to the consumer that is identical or reasonably equivalent to the replaced motor vehicle as it existed at the time of original acquisition. The replacement must be performed within 40 days of receipt the consumer's payment for a reasonable offset for use as determined by the appropriate formula above. In addition, the manufacturer must pay:

1. *Collateral charges*. These are defined as additional charges to a consumer wholly incurred as a result of the acquisition of the motor vehicle, and include:

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- all use taxes and title charges;
 - the cost of any manufacturer-installed or agent-installed options; and
 - all earned finance charges.
2. *Incidental charges.* These are defined as reasonable costs (not including loss of use, loss of income, or personal injury claims) incurred by the consumer as a direct result of the nonconformity, and include:
- towing charges; and
 - costs of alternative transportation.

At the time of the replacement, the consumer, lienholder, or lessor must furnish to the manufacturer clear title to and possession of the motor vehicle.