

REVENUE: No revenue impact

FISCAL: No fiscal impact

Action:	Do Pass as Amended, Be Printed Engrossed and Be Referred to the Committee on Rules
Vote:	3 - 2 - 0
Yeas:	Burdick, Rosenbaum, Bonamici
Nays:	George, Girod
Exc.:	0
Prepared By:	Lori Brocker, Administrator
Meeting Dates:	2/4, 2/9, 2/11

WHAT THE MEASURE DOES: Makes application of automatic renewal provision in consumer contract unlawful trade practice unless provision complies with notice requirements. Makes charging early termination fee for cancellation of consumer contract an unlawful trade practice unless charging complies with notice and express consent requirements. Requires clear and conspicuous disclosure of automatic renewal provision and early termination fee provision at time of contract offer. Excludes insurance, certificates of deposit, certain rental agreements, certain lease-purchase agreements, and certain service contracts from definition of consumer contract. Excludes, from definition of consumer contract, contract for services subject to federal communications law if contract contains month-to-month automatic renewal provision and contains clear and conspicuous disclosure of early termination fee at time of initial contract. Declares an emergency; effective on passage.

ISSUES DISCUSSED:

- Consumer complaints received by Department of Justice
- Consequences of early termination
- Definition of clear and conspicuous
- Consumer understanding of contract terms
- Jurisdiction sharing agreement between Public Utility Commission and Department of Justice
- Cost recoupment
- Definition of “rate” in federal telecommunications law
- Applicability of federal law
- Regulated and unregulated contracts
- Clarification of amendments

EFFECT OF COMMITTEE AMENDMENT: Removes free trial and promotional offer provisions. Amends notice provision adding clause informing consumer of cancellation procedure. Excludes, from definition of consumer contract, certain rental agreements, certain lease-purchase agreements and certain service contracts. Removes provision relating to prorata determination of early termination fee. Removes provision allowing consumer to use or dispose of item deemed unconditional gift. Excludes, from definition of consumer contract, contract for services defined in federal Communications Act if contract contains a month-to-month automatic renewal provision and includes clear and conspicuous disclosure of an early termination fee at time of initial contract.

BACKGROUND: Some consumer contracts contain automatic renewal provisions that are triggered at the end of a contractual period. Under these provisions a consumer does not need to expressly consent to an additional contract period after the initial contract term has ended. A consumer may not receive notice that the automatic renewal provision has been triggered. Health club, telecommunications, and direct marketing contracts are examples of contracts that may contain automatic renewal provisions. Under Senate Bill 1001A, automatic renewal provisions in consumer contracts could not be applied without clear and conspicuous notice of the provision, and applicable cancellation procedure, to the consumer.

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This summary has not been adopted or officially endorsed by action of the committee.

SB 1001A also restricts early termination fees (ETF), making the charge of an ETF an unlawful trade practice unless notice is given to the consumer and the consumer provides express consent. Early termination fees are fees charged to a consumer when the consumer terminates the contract before the contractual term ends. The fees are sometimes charged prorata, varying with the amount of the contractual term remaining. Some businesses assess an ETF as a straight fee, with no reduction for the amount of the contractual period that has been satisfied or the amount a consumer may have already paid under the contract.