

CHAPTER 274 — H.F.No. 616

An act relating to commerce; requiring that consumer contracts be written in clear and coherent language; providing remedies; proposing new law coded in Minnesota Statutes, Chapter 325G.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [325G.29] CITATION.

Sections 1 to 8 may be cited as the "Plain Language Contract Act".

Sec. 2. [325G.30] DEFINITIONS.

Subdivision 1. TERMS. As used in sections 2 to 8, the terms defined in this section have the meanings given them.

Subd. 2. CONSUMER. "Consumer" means any individual who, primarily for personal, family or household purposes: (1) gives consideration for an interest in any services or personal property, including money; (2) transfers or authorizes a security interest on any personal property; or (3) leases residential premises for a term not exceeding three years.

Subd. 3. CONSUMER CONTRACT. "Consumer contract" means any written contract with a consumer except: (1) a contract where the price, excluding interest or finance charges, is more than \$50,000; (2) a contract through which a consumer obtains money or credit to be used to purchase or refinance an interest in realty; (3) a contract in which the sale of personal property is merely incidental to the sale of an interest in realty.

Sec. 3. [325G.31] PLAIN LANGUAGE REQUIRED.

Except as provided in section 4, every consumer contract shall be written in a clear and coherent manner using words with common and everyday meanings and shall be appropriately divided and captioned by its various sections.

Sec. 4. [325G.32] EXCEPTIONS.

Subdivision 1. OTHER STATUTES OR REGULATIONS. Section 3 does not apply to any consumer contract for which a federal or state statute, rule or regulation prescribes standards of readability applicable to the entire contract. Section 3 does not apply to particular words, phrases, provisions or forms of agreement specifically required, recommended or endorsed by a state or federal statute, rule or regulation.

Subd. 2. CUSTOMARILY USED TECHNICAL TERMS. A consumer contract may include technical terms to describe the services or property

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which are the subject of the contract, if the terms are customarily used by consumers in connection with the services or property.

Sec. 5. [325G.33] REMEDIES.

Subdivision 1. ENFORCEMENT AUTHORITY. Any violation of section 3 is a violation of a law under section 8.31, subdivision 1. The remedies provided in section 8.31, subdivisions 3 and 3a, are limited as provided in section 6.

Subd. 2. REFORMATION. In addition to the remedies provided in section 8.31, a court reviewing a consumer contract may reform or limit a provision so as to avoid an unfair result if it finds that:

- (1) a material provision of the contract violates section 3;
- (2) the violation caused the consumer to be substantially confused about any of the rights, obligations or remedies of the contract; and
- (3) the violation has caused or is likely to cause financial detriment to the consumer.

If the court reforms or limits a provision of a consumer contract, the court shall also make orders necessary to avoid unjust enrichment. Bringing a claim for relief pursuant to this subdivision does not entitle a consumer to withhold performance of an otherwise valid contractual obligation. No relief shall be granted pursuant to this subdivision unless the claim is brought before the obligations of the contract have been fully performed.

Sec. 6. [325G.34] LIMITS ON REMEDIES.

Subdivision 1. PENALTIES. In any proceeding in which civil penalties are claimed from a party for a violation of section 3, it is a defense to the claim that the party made a good faith and reasonable effort to comply with section 3.

Subd. 2. ATTORNEY'S FEES. A party who has made a good faith and reasonable effort to comply with section 3 shall not be assessed attorney's fees or costs of investigation in an action for violating section 3.

Subd. 3. CLASS ACTION ATTORNEY'S FEES. In any class action or series of class actions which arise from the use by a person of a particular consumer contract found to violate section 3, the amount of attorney's fees and costs of investigation assessed against that person and in favor of the consumer class or classes may not exceed \$10,000.

Subd. 4. LIMITS ON CONSUMER ACTIONS. Violation of section 3 is not a defense to a claim arising from a consumer's breach of a consumer contract or to an action for unlawful detainer. A consumer may recover actual damages caused by a violation of section 3 only if the violation caused the

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consumer to be substantially confused about the rights, obligations or remedies of the contract.

Subd. 5. STATUTE OF LIMITATIONS. Any claim that a consumer contract violates section 3 must be raised within six years of the date the contract is executed by the consumer.

Sec. 7. [325G.35] REVIEW BY THE ATTORNEY GENERAL.

Subdivision 1. PROCESS OF REVIEW. Any seller, creditor or lessor may submit a consumer contract to the attorney general for review as to whether the contract complies with the requirements of section 3. After reviewing the contract the attorney general shall: (1) certify that the contract complies with section 3; (2) decline to certify that the contract complies with section 3 and note his objections to the contractual language; (3) decline to review the contract and refer the party submitting the contract to other previously certified contracts of the same type; (4) decline to review the contract because the contract's compliance with section 3 is the subject of pending litigation; or (5) decline to review the contract because the contract is not subject to section 3.

Subd. 2. PROCESS NOT REVIEWABLE. Actions of the attorney general pursuant to subdivision 1 are not subject to Minnesota Statutes, Chapter 15, and are not appealable.

Subd. 3. LIMITED EFFECT OF CERTIFICATION. Any consumer contract certified pursuant to subdivision 1 is deemed to comply with section 3. Certification of a consumer contract pursuant to subdivision 1 is not otherwise an approval of the contract's legality or legal effect.

Subd. 4. REVIEW NOT REQUIRED. Failure to submit a contract to the attorney general for review pursuant to subdivision 1 does not show a lack of good faith nor does it raise a presumption that the contract violates section 3. If pursuant to subdivision 1 the attorney general refers a party to a previously certified contract, that the party chooses not to use the contract does not show a lack of good faith nor does it raise a presumption that a contract used by that party violated section 3.

Subd. 5. FEE FOR REVIEW. The attorney general may charge a fee, not to exceed \$50, for the costs of reviewing a consumer contract pursuant to subdivision 1.

Sec. 8. [325G.36] WAIVERS VOID.

Any provision of a consumer contract which waives or attempts to waive any provision of sections 1 to 8 is void.

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Sec. 9. [325G.37] EFFECTIVE DATE.

Sections 1 to 6 and 8 take effect on July 1, 1983. Section 7 takes effect the day following final enactment. Sections 1 to 8 do not affect any consumer contract executed before July 1, 1983. A previously existing consumer contract renewed after July 1, 1983, is subject to sections 1 to 8. No provision for renewal of a consumer contract is invalid merely because compliance with sections 1 to 8 changes the form of the renewal agreement. For the purposes of this section periodic tenancies renew at the commencement of each rental period.

Approved May 28, 1981

CHAPTER 275 — H.F.No. 766

An act relating to the University of Minnesota hospitals; authorizing the sale of state bonds and loan of the proceeds of the sale to the board of regents of the University of Minnesota; limiting the use of the proceeds of the bonds; requiring an annual report to the legislature; appropriating money.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. UNIVERSITY HOSPITALS BONDS.

Subdivision 1. PURPOSE AND APPROPRIATION. The commissioner of finance shall sell and issue bonds of the state of Minnesota in an aggregate principal amount not to exceed \$190,000,000 for the prompt and full payment of which, with interest, the full faith, credit, and taxing powers of the state are irrevocably pledged, for the purpose of providing money to be loaned to the board of regents of the University of Minnesota to acquire and better public land, buildings, and improvements of a capital nature needed to provide facilities, equipment, and services at the University of Minnesota hospitals, including principal and interest during construction. The proceeds of the bonds are appropriated to the commissioner of finance to be loaned to the board of regents except as otherwise provided by subdivisions 3 and 6. This appropriation is not subject to the limitations in Minnesota Statutes, Section 137.025, Subdivision 2. The proceeds of the bonds shall be available until the purposes for which the bonds were authorized have been accomplished or abandoned, and the appropriation of the money shall not cancel. When the board of regents certifies to the commissioner of finance that the purposes of the bonds have been accomplished or abandoned, any unexpended balance of the proceeds shall be transferred and credited to the state bond fund. The bonds shall not be subject to restrictions or limitations contained in any other law.

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