

PLAIN LANGUAGE CONSUMER CONTRACT ACT - CONTRACTUAL REQUIREMENTS

Act of Nov. 29, 2006, P.L. 1563, No. 176

Cl. 12

Session of 2006

No. 2006-176

SB 860

AN ACT

Amending the act of June 23, 1993 (P.L.128, No.29), entitled "An act requiring certain contracts to be written in plain language; and providing remedies and penalties," further providing for contractual requirements.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 5 of the act of June 23, 1993 (P.L.128, No.29), known as the Plain Language Consumer Contract Act, is amended to read:

Section 5. Test of readability.

(a) General rule.--All consumer contracts executed after the effective date of this act shall be written, organized and designed so that they are easy to read and understand.

(b) Language guidelines.--In determining whether a contract meets the requirements of subsection (a), a court shall consider the following language guidelines:

(1) The contract should use short words, sentences and paragraphs.

(2) The contract should use active verbs.

(3) The contract should not use technical legal terms, other than commonly understood legal terms, such as "mortgage," "warranty" and "security interest."

(4) The contract should not use Latin and foreign words or any other word whenever its use requires reliance upon an obsolete meaning.

(5) If the contract defines words, the words should be defined by using commonly understood meanings.

(6) When the contract refers to the parties to the contract, the reference should use personal pronouns, the actual or shortened names of the parties, the terms "seller" and "buyer" or the terms "lender" and "borrower."

(7) The contract should not use sentences that contain more than one condition.

(8) The contract should not use cross references, except cross references that briefly and clearly describe the substances of the item to which reference is made.

(9) The contract should not use sentences with double negatives or exceptions to exceptions.

(c) Visual guidelines.--In determining whether a contract meets the requirements of subsection (a), a court shall consider the following guidelines:

(1) The contract should have type size, line length,

column width, margins and spacing between lines and paragraphs that make the contract easy to read.

(2) The contract should caption sections in boldface type.

(3) The contract should use ink that contrasts sharply with the paper.

(d) Consumer restrictions.--

(1) A contract shall have a statement that contains the following:

(i) A general description of the property that may be taken or affected by reason of a security interest or contract if the consumer does not meet the terms of the contract. The statement is not required to list all possible exemptions. As it may apply, the following statement may be used: "If you do not meet your contract obligations, you may lose your house, the property that you bought with this loan, other household goods and furniture, your motor vehicle or money in your account with us."

(ii) Contract waivers of a consumer's rights in residential leases.

(2) If the disclosures required by the Truth in Lending Act (Public Law 90-321, 15 U.S.C. § 1601 et seq.) are made on the contract, then the statement of consumer restrictions shall appear immediately following these disclosures.

(3) The following shall apply to a contract under seal:

(i) The contract must include a statement substantially similar to the following:

This is a contract under seal and may be enforced under 42 Pa.C.S. § 5529(b) (relating to twenty year limitation).

(ii) Failure to include the statement under subparagraph (i) shall create an irrebuttable presumption that the parties did not intend to create an instrument in writing under seal.

Section 2. The addition of section 5(d)(3) of the act shall apply to contracts entered into on or after the effective date of this act.

Section 3. This act shall take effect in 180 days.

APPROVED--The 29th day of November, A. D. 2006.

EDWARD G. RENDELL