

# House Study Bill 142

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
COMMERCE BILL BY  
CHAIRPERSON PETERSEN)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act providing for restrictions relating to cancellation  
2 provisions applicable to cellular telephone service contracts.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 1385YC 83  
5 rn/nh/14

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1 1 Section 1. Section 537.1301, subsection 13, paragraph a,  
1 2 unnumbered paragraph 1, Code 2009, is amended to read as  
1 3 follows:  
1 4 Except as provided in ~~paragraph "b"~~ paragraphs "b" and "c",  
1 5 a consumer credit sale is a sale of goods, services, or an  
1 6 interest in land in which all of the following are applicable:  
1 7 Sec. 2. Section 537.1301, subsection 13, Code 2009, is  
1 8 amended by adding the following new paragraph:  
1 9 NEW PARAGRAPH. c. Notwithstanding paragraph "a", a  
1 10 cellular telephone service contract pursuant to which charges  
1 11 are incurred and billed on a month-to-month basis shall  
1 12 constitute a consumer credit sale strictly for purposes of the  
1 13 cancellation provisions of section 537.3310.  
1 14 Sec. 3. Section 537.3310, subsection 1, Code 2009, is  
1 15 amended to read as follows:  
1 16 1. In a consumer credit transaction, other than a consumer  
1 17 rental purchase agreement, if performance by a creditor is by  
1 18 delivery of goods, services, or both, in four or more  
1 19 installments, either on demand of the consumer or by  
1 20 prearranged scheduled performance, or if performance is by a  
1 21 cellular telephone service provider by delivery of goods,  
1 22 services, or both on a month-to-month basis whereby charges  
1 23 are incurred and billed on a month-to-month basis, the  
1 24 consumer may cancel the obligation with respect to that part  
1 25 which has not been performed on the date of cancellation.  
1 26 Sec. 4. Section 537.3310, Code 2009, is amended by adding  
1 27 the following new subsection:  
1 28 NEW SUBSECTION. 6. In a consumer credit transaction  
1 29 consisting of a cellular telephone service contract as  
1 30 specified in subsection 1, the maximum early termination  
1 31 penalty or cancellation fee which may be imposed is an amount  
1 32 equivalent to the charges due and payable on a monthly basis.  
1 33 EXPLANATION  
1 34 This bill imposes restrictions relating to cancellation  
1 35 provisions applicable to cellular telephone service contracts.  
2 1 The bill provides that a cellular telephone service  
2 2 contract pursuant to which charges are incurred and billed on  
2 3 a month-to-month basis falls within the definition of a  
2 4 consumer credit sale set forth in Code section 537.1307. The  
2 5 bill states, however, that the definition extends to such  
2 6 cellular telephone service contracts strictly for purposes of  
2 7 applying cancellation provisions contained in Code section  
2 8 537.3310. Accordingly, a consumer subject to a cellular  
2 9 telephone service contract would have the right to cancel an  
2 10 obligation with respect to that part of the obligation which  
2 11 has not been performed on the date of cancellation, a creditor  
2 12 would be entitled to recover only that part of the cash price  
2 13 and charges attributable to the part of the obligation which  
2 14 has already been performed, and cancellation would be  
2 15 effective when the consumer mails or delivers a written notice  
2 16 of cancellation.  
2 17 The bill provides that the maximum early termination  
2 18 penalty or cancellation fee which can be imposed with regard

2 19 to a cellular telephone service contract is an amount  
2 20 equivalent to the charges due and payable on a monthly basis.  
2 21 LSB 1385YC 83  
2 22 rn/nh/14