



Contract Cooling-Off Periods

From the Office of Minnesota Attorney General Lori Swanson

A contract is generally a legally-binding commitment (absent special circumstances, like fraud). Once made, contracts may be difficult to cancel. As a result, consumers should do their homework before signing a contract.

Consumers sometimes mistakenly believe that they have a legal right to cancel *any* contract, as long as they do so within a three-day “cooling-off” period. Most contracts don’t provide for a “cooling-off” period, however. Instead, the law gives consumers a legal right to cancel a contract within a “cooling-off” period only in certain specific situations.

Contracts Subject to Cancellation

Minnesota law only provides “cooling-off” periods or cancellation rights for specific types of contracts. Some of the more common include:

Home Solicitation Sales.

Minnesota’s Home Solicitation Sales Act—commonly known as the “Three-Day Cooling-Off Law”—applies to the sale, lease, and rental of goods and services for personal or household use, so long as the transaction is worth more than \$25 and occurs in one’s home, over the telephone, or at a place other than the seller’s normal place of business (e.g., motels and convention centers). When a transaction is covered by the Three-Day Cooling-Off Law, you have three business days to cancel the contract.

Under the law, you must make cancellation requests in writing to the address provided by the seller. You are encouraged to send cancellation requests by certified mail through the United States Postal Service and keep a copy of the request for your records. While not legally required, mailing the cancellation request by certified mail will give you proof that your request was timely. After the contract is cancelled, the seller must refund your money within 10 days.

If the Three-Day Cooling-Off Law applies to a transaction, the seller is required to give you notice of your right to cancel in three forms:

1. The seller must orally explain your right to cancel.
2. The seller must give you a receipt or copy of the contract that includes the date of the transaction, the seller’s name and address, and a statement regarding the right to cancel located near the signature block on the contract or on the front of the receipt if a contract is not used.
3. The seller must attach to the receipt or contract two copies of a completed form, entitled, “NOTICE OF CANCELLATION,” which includes a description of the goods or services purchased, the date of the transaction, and a detailed explanation of how the contract may be cancelled. The form required by law for this notice can be found at Minn. Stat. § 325G.08.

Until all three forms of notice are provided properly, you have a continuing right to cancel the contract that extends beyond three business days. Once the seller provides notice properly, the three business days right to cancel begins to run.

The Three-Day Cooling-Off Law does not apply when you buy a vehicle. It also does not cover transactions for less than \$25, the sale of insurance or real estate, and sales conducted at public auction or at a merchant’s normal place of business, like a retail store.

Life Insurance Policies.

Under Minnesota law, consumers have a 10 day “free look” period to inspect life insurance policies. If you return a life insurance policy within the “free look” period, the insurance company must cancel the policy and refund all the premiums paid.

Hearing Aids.

You have the right to cancel the purchase of hearing aids within 45 days after receiving the hearing aids, and may not be charged a cancellation fee of more than \$250 of the total purchase price for the hearing aids.

Extended Car Warranties.

Minnesota law provides that motor vehicle service contracts—commonly referred to as extended car warranties—must allow customers to return the contract within 20 days of the date the service contract was mailed, or within 10 days if the contract was delivered at the time of sale, or within a longer time period if provided by the contract. Upon return of the contract, the provider must grant a refund of the full purchase price if no claim has been made under the contract.

Military Personnel.

Under a Minnesota law drafted by the Attorney General’s Office, military personnel may cancel cell phone or wireless service contracts without penalty when the service member is called to active duty. Military personnel may also cancel rental contracts, club contracts, service contracts, and membership travel contracts without penalty and receive a full refund of their deposit when a deployment or change in duty prevents the service member from using the service or abiding by the terms of the contract.

Debt Management and Debt Settlement Services Contracts.

A debt management services provider is a company or person that charges fees to distribute payments to a consumer’s creditors from funds the provider received from the consumer. A debt settlement services provider is a company or person that charges fees to negotiate a lump-sum payoff of a consumer’s debt. You may cancel contracts with debt management and debt settlement

services providers at any time without cause by giving the provider 10 days’ written notice.

Foreclosure Consultant Contracts.

A foreclosure consultant is a company or person that charges fees to help homeowners with foreclosure-related services (e.g., stopping or postponing a foreclosure sale, modifying the terms of a consumer’s mortgage, or saving a consumer’s home from foreclosure). Under Minnesota law, foreclosure consultants are prohibited from collecting fees until after they have provided a service to the homeowner. You may cancel contracts with foreclosure consultants within three business days after the day on which the contract was signed.

Credit Services Contracts.

A credit services organization is a company or person that charges fees to help consumers obtain credit, improve their credit rating or history, or provide credit advice or assistance. Under Minnesota law, a credit services organization cannot collect a fee until after it has completed all of the services it agreed to perform. You may cancel a contract with a credit services organization in writing within five days from the date the contract was signed.

Membership Travel Contracts.

Membership travel operators charge people fees for the ability to make travel arrangements from or through the operator. Buyers have a 10 day right to cancel their membership, which does not begin to run until they receive all of the materials necessary to make travel arrangements and explain the terms and conditions of the contract. Notice of cancellation must be given in writing to the membership travel operator at the operator’s address (this address must be included in the contract). Under Minnesota law, travel club sellers must give buyers oral notice of the right to cancel at the time the contract is signed, and include a specific written notice of the right to cancel prescribed by the statute next to the buyer’s signature on the contract. If the seller does not provide both of these notices properly, then the buyer may cancel the contract at any time by giving notice of cancellation to the operator.

Health Clubs, Social Referral Clubs, and Buying Clubs.

A health club is a business that charges fees for the use of its facility for physical fitness related activities like exercising and weightlifting. Social referral clubs are businesses that match people to facilitate dating or general social contact. A buying club is a business that gives benefits to members from the cooperative purchase of goods or services. A member of a health club, social referral club, or buying club may cancel their membership in writing within three business days following the date on which the membership was attained.

Reverse mortgages.

Federal regulations allow borrowers to rescind a reverse mortgage within three days of execution. State law provides that a borrower is not bound for seven days after his or her acceptance, in writing, of the lender's written commitment to make the reverse mortgage loan.

Residential Roofing and Siding Contracts.

A person who has entered into a contract with a residential roofer or siding contractor to provide goods and services to be paid by the insured from the proceeds of a property or casualty insurance policy has the right to cancel the contract within 72 hours after the person has been notified by his or her insurer that the claim was denied.

Agricultural Contracts.

In general, an agricultural contract is a written contract between a contractor (someone who buys agricultural commodities grown or raised in Minnesota, or pays someone to grow or raise agricultural commodities in the state) and a producer (someone who produces an agricultural commodity in an amount larger than his or her family's use). A producer may cancel an agricultural contract by mailing a written cancellation notice to the contractor within three business days after he or she receives a copy of the signed contract, or until a later deadline specific in the contract.

Other types of contracts and transactions not mentioned above may also be subject to a "cooling-off" period or cancellation. In addition, some contracts may be deemed void or their terms held inapplicable if a consumer is defrauded. If you have questions about whether a particular contract or transaction is subject to a "cooling-off" period or cancellation, you may wish to promptly contact a private attorney to discuss your situation.

For more information, or to file a complaint, you may contact the Minnesota Attorney General's Office as follows:

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