

By Mr. Paleologos of Woburn, petition of Nicholas A. Paleologos for legislation to require consumer contracts to be written in plain and clear language. Banks and Banking.

**The Commonwealth of Massachusetts**

In the Year One Thousand Nine Hundred and Eighty-Two.

AN ACT TO REQUIRE CLEAR LANGUAGE FOR ALL CONSUMER CONTRACTS.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Chapter 255D of the General Laws is hereby  
2 amended by adding the following definitions to section 1.

3 "Agreement" means any writing which is substantially prepared  
4 in advance of a consumer contract and which a supervised lender  
5 furnishes to a consumer for the consumer to sign in connection  
6 with that contract.

7 "Consumer" means an individual to whom a contract is made.

8 "Consumer contract" means a loan made to a consumer by a  
9 supervised lender for personal, family, or household purposes, if  
10 the debt is payable in installments or a finance charge is made,  
11 including a loan made pursuant to a lender credit card.

12 "Supervised lender" means a bank as defined under Chapter 167,  
13 Section 1, a national banking association, a savings and loan  
14 association, or a sales finance company as defined in section 1 of  
15 Chapter 255B and 255D, or a small loans company as defined by  
16 Chapter 140, sections 96 to 114A, inclusive.

1 SECTION 2. 1. Application. Except as provided in subsec-  
2 tion 2, this chapter applies to any agreement signed in connection  
3 with a consumer loan entered into in this Commonwealth between  
4 a consumer who is a resident of this Commonwealth at the time of  
5 the loan and a supervised lender.

6 2. Exclusions. This chapter does not apply:

7 A) To consumer loans in which the amount financed exceeds  
8 \$100,000; and

9 B) To language or arrangement which is specifically required by  
10 federal or state law, regulation or official agency interpretation; or  
11 to agreements, the form or any part of which is required by any  
12 governmental instrumentality as a condition of the assignability of  
13 the agreement.

1 SECTION 3. Requirements for agreements. After July 1, 1983,  
2 every agreement shall be:

- 3 1) Plain language. Written in a clear and coherent manner  
4 using words with common and everyday meanings; and
- 5 2) Meaningful arrangement. Appropriately divided and cap-  
6 tioned by its various sections.

1 SECTION 4. Any supervised lender who fails to comply with  
2 sections 2 and 3 of this act shall be liable in an amount not to exceed  
3 one hundred dollars. If there is more than one consumer who is a  
4 part to a consumer contract, the one hundred dollars damages shall  
5 be apportioned on a pro-rata basis. No class action may be brought  
6 under the provisions of this act.

1 SECTION 5. Certification of compliance. 1. Certification. A  
2 supervised lender, or any trade organization or association acting  
3 on behalf of supervised lenders, may submit any proposed form of  
4 agreement to the Office of the Commissioner of Banks. Before July  
5 1, 1983, within 60 days, and after July 1, 1983, within 45 days, the  
6 office shall either certify the form as complying with the require-  
7 ments of section 3, or refuse to certify the form as complying,  
8 setting forth written reasons for its refusal. Failure by the office to  
9 act under this section within 45 to 60 days, as the case may be, shall  
10 be considered a certification of the form's compliance. A certifica-  
11 tion of compliance under this section shall be an absolute bar to  
12 any legal proceeding by the Commissioner for failure to comply  
13 with the requirements of section 3.

14 2. Fees. Any form of agreement submitted to the office under  
15 this section shall be accompanied by a fee of \$25. The period within  
16 which the office must act under this section shall commence upon  
17 receipt of the fee. The fees received under this section are to be used  
18 by the Commissioner for the purposes of this chapter .