

- you die or become permanently disabled.

If construction of the health club wasn't completed when you signed the contract, you may also cancel the contract within three business days after it opens. You may also cancel if the club doesn't open at all.

Credit repair contracts can be canceled until *midnight of the fifth day* after you sign the contract. Credit repair clinics are organizations that advertise that they can improve your credit record so you can get credit. Many of them are fraudulent.

Membership campground and time-share contracts can be canceled within five days after the contract is signed. Some sellers have used high-pressure tactics to sell campground memberships and time-shares.

Some contracts with loan brokers can be canceled within five days after the contract is signed. Loan brokers are people who promise, for a fee, to arrange, attempt to arrange, or advise a borrower about getting credit. Some loan brokers charge high fees and add hidden fees to the contract.

REMEMBER. The law often changes. Each case is different. This pamphlet is meant to give you general information and not to give you specific legal advice.

Please use the information found in this brochure carefully since the law is constantly changing and the information may not accurately reflect any changes in the law that occurred following the creation and publication of the brochure.

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Your Right to Cancel Certain Contracts

Public Information Pamphlet #11

Are there any kinds of contracts that can be canceled?

What door-to-door sales contracts can be canceled?

Do I need a reason to cancel a door-to-door sales contract?

How long do I have to cancel a door-to-door sales contract?

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Your Right to Cancel Certain Contracts

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■ **USUALLY, YOU** do not have the right to cancel a contract. Once you sign a contract, you are bound by it. Because most contracts cannot be canceled, you should never sign a contract unless you have shopped around for the best bargain and had time to think it over. Always read the contract before you sign it. Ask questions about any terms you don't understand or agree with.

Are there any kinds of contracts that can be canceled?

The law gives you the right to cancel a few types of contracts if you do so within a few days after you sign. The main types of contracts that can be canceled are

- door-to-door sales;
- some home improvement contracts;
- contracts that involve a mortgage or lien on your home;
- contracts with health clubs, credit repair clinics, membership campgrounds, and time-share condominiums; and
- some contracts with loan brokers.

What door-to-door sales contracts can be canceled?

You have the right to cancel an agreement to buy goods and services costing more than \$25 if the agreement was made.

- as a result of a visit by the seller to your home; or
- at any place other than the seller's normal place of business, such as a house party, rented motel room, or roadside truck sale. This right to cancel also applies to contracts entered into by telephone from your home.

You have the right to cancel these contracts even if you made the first contact, as long as the agreement was signed in your home.

Do I need a reason to cancel a door-to-door sales contract?

No. It is your right to cancel the agreement. You do not need to have a good reason, or any reason.

How long do I have to cancel a door-to-door sales contract?

You can cancel a door-to-door sales contract until midnight on the third business day after you sign the contract.

How do I cancel a door-to-door sales contract?

You must cancel in writing. The seller must give you a written notice telling you about your right to cancel the agreement, plus two copies of a cancellation form. If you want to cancel, you can mail or hand-deliver one copy of the cancellation form to the address given for cancellation. Keep the second copy for your records. If you were not given a form, you can write your own letter.

If you cancel by mail, it is best to use certified mail so that you can prove when and to whom the letter was mailed.

If the seller did not give you written notice of your right to cancel and copies of the cancellation form when you signed the contract, then you can cancel it until three days after the seller finally gives you these documents.

What happens after I cancel a door-to-door sales contract?

If you cancel a door-to-door sales contract, the salesperson must return your money within 20

days. The salesperson then has the right to pick up the product from you. If the salesperson does not pick it up within 20 days of the date of your notice of cancellation, you may either keep it or get rid of it.

What other kinds of contracts can be canceled?

Some installment contracts for home improvements can be canceled if the cost is more than \$300. This right to cancel applies even if you sign the contract at the seller's place of business. You only have the right to cancel the contract by 5 PM of the next business day, however. To cancel, you must take a written notice to the seller's place of business, saying that you are canceling the contract. The contract must tell you about your right to cancel. If you want to cancel and the contract doesn't tell you about your right to cancel, see a lawyer.

Loans or installment sales that involve a mortgage or lien on your home can be canceled within three business days. This right to cancel applies whether or not the credit agreement is made in your home, but it does not apply to a mortgage you sign to finance the purchase or construction of your home. The creditor must give you cancellation forms and a written notice of your right to cancel. If you cancel, the creditor must, within 20 days after receiving your notice of cancellation, return to you any money or property paid as a down payment and cancel the lien on your home. If you try to cancel but the creditor won't let you, see a lawyer.

Contracts with health clubs can be canceled if the contract is for three months or more. You have three business days to cancel. You can also cancel a contract with a health club if :

- the club closes for more than 30 days, unless it provides a comparable facility within 20 miles of the original location;
- you move more than 25 miles farther from the health club and can't transfer your contract to a comparable facility within five miles of your home; or