

[New law helps shine light on previously buried automatic renewal clauses!](#)

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Not surprisingly, SB 1196 has overshadowed many of the other bills that passed during the 2010 Legislative Session which have either a direct or indirect impact on common interest ownership communities throughout the State.

One of those bills, **HB 751**, which took effect on July 1, 2010, provides welcome relief to associations that have been plagued by pernicious automatic renewal clauses in many of their vendor contracts. Who hasn't looked to cancel a lease agreement for laundry equipment or elevator maintenance only to find out that the original contract automatically renewed for another 5, 10 or even 15 years!! These boards are disheartened to learn that a less than careful reading of the original agreement which did not reveal a buried automatic renewal clause has now trapped them into years of additional service.

I have been preaching for years that one of the benefits of having your contracts reviewed carefully by legal counsel prior to execution is to ferret out clauses like automatic renewals that are not in the best interests of the association. This bill will make it a lot easier for an association and/or its manager to spot this type of clause as well.

This new law defines an automatic renewal clause as a provision under which a service contract is renewed for a specified period of **more than** 1 month if the renewal causes the service contract to be in effect more than 6 months after the day of the initiation of the service contract. Under this law, such renewal is effective unless the consumer gives notice to the seller of the consumer's intention to terminate the service contract.

HB 751 further defines a service contract as a written contract for the performance of services over a fixed period of time or for a specified duration. In the association context, this will typically refer to a laundry lease, an elevator or roof maintenance agreement, etc.

Sellers of such service renewal contracts are now obligated to disclose the automatic renewal provision clearly and conspicuously in the contract or contract offer. Moreover, such sellers must inform potential clients of the specifics of the renewal process for service renewal contracts which run for a period of 12 months or more and which automatically renew for a period of more than one month, absent consumer cancellation.

Consumers must now be clearly informed that unless they cancel the contract, it will automatically renew, and must further be informed how they can obtain related information.

If a seller makes an error and thereby fails to comply with these new disclosure requirements, the unearned portion of the contract subject to the automatic renewal provision is refunded as of the date on which the seller is notified of the error. Moreover, a violation of this notice requirements renders the automatic renewal provision void and unenforceable.

HB 751 applies only to contracts entered into on or after July 1, 2010 so it will not help you avoid an automatic renewal provision contained in a contract you entered into prior to July 1, 2010. The hope is, however, that this new law will make it a lot less likely that associations will continue to unknowingly bind themselves by these kinds of clauses.