

Cellular telephones

Cellular telephones are a source of convenience and safety. They are also evolving into versatile, powerful devices that can make life easier, but not without costs and potential risks. Get all the facts about a cellular phone and the service contract that comes with it before signing anything.

How cellular phones work

When a cellular phone is turned on, an indicator will show the strength of the signal received from a nearby cellular tower. A phone must maintain a certain strength of signal in order to place and hold phone calls – the further away from the nearest tower, the weaker the signal. The strength of the signal can also be weakened by terrain, buildings, or weather conditions between your phone and the nearest tower.

Cellular carriers use different towers and technologies for their services. This means that while your friend with Carrier A might have a full strength signal, your phone in the same place with Carrier B might have no service. Finding out which carrier has strong coverage where you live and work is an important part of the phone shopping process.

Roaming

When you leave the area covered by your cellular carrier's towers, you are "roaming." These calls may incur substantial charges above your regular rates, depending on your calling plan. Charges of \$5 or more for only a few minutes of roaming time are possible in places like Alaska and on cruise ships.

Most phones will work on foreign cellular networks when you are traveling out of the country. However, most carriers require you to contact them before you travel in order to enable "international roaming." This allows you to know exactly what you will pay while traveling, and makes it simpler to connect once you reach your destination.

Types of phones:

There are two types of cellular phones on the market today: Conventional and Smart phones.

Conventional phones

Conventional phones are more basic devices that provide voice service and text messaging capability, but usually not much else. Compared to other available options, conventional phones are generally the cheapest to purchase and to use.

Smart phones

A smart phone is a pocket-sized computer with a relatively large screen that can connect to the Internet via a carrier's data network. It can function as a phone, camera, credit card, media player, gaming console, and much more. Smart phones connect to carriers' data networks via the same towers used for voice calls. Data connection speeds are similarly affected by carrier, tower distance, terrain, etc.

Smart phones are significantly more expensive than conventional phones to purchase and to use. A subsidized smart phone purchase is often \$100-\$200 (\$500+ without subsidies), and may come with a 2 year contract, depending on the carrier. Smart phones have the ability to store and transmit your personal information, such as medical data, credit card numbers, your physical location or your list of contacts. You can also quickly spend a lot of money on a smart phone by downloading music, ringtones, or "apps" – programs that add functions to your phone, like games, books, or productivity software. Thus, it is very important to be careful both in using your smart

phone and in making sure the wrong people do not get access. It is a good idea to set ground rules with kids and teens regarding Internet usage and privacy protection while on their phones (or yours).

Types of service agreements:

Postpaid The most common kind of service agreement is *postpaid*. A subscriber signs a postpaid service contract for a defined amount of time, usually two years. This contract charges a set monthly fee for voice, text, or data, and adds extra charges if a subscriber exceeds those allowances. Postpaid carriers usually subsidize the cost of phone purchases for new subscribers by several hundred dollars in return for an extended service contract.

Contract renewal When a postpaid phone contract expires, most carriers simply continue to bill the subscriber under the same terms, on a month to month basis. This continues until a subscriber decides to change their service plan, upgrade to a new phone, or cancel service. Carriers will almost always require a new long term contract to be signed if a subscriber changes their service or buys a new, subsidized phone through the carrier. A two year contract could even be “reset” to two years if a subscriber changed service plans only part way into an existing contract. Make sure to ask your carrier if you are unsure how this applies to your plan. If a new contract or renewal is completed over the phone or online, carriers must provide a

written confirmation of the order within 15 days.

Early termination fees Most postpaid carriers require an 18 or 24 month contract, and will charge an “Early Termination Fee” (ETF) if a subscriber cancels before that time is up. ETFs are generally pro-rated, for example; the charge might be \$240 to cancel during the first month, \$230 to cancel during the second month, and so on. Prepaid contracts do not charge early termination fees. If there are multiple lines on one account, an ETF may be charged for each line.

Prepaid A prepaid phone contract may be a good idea for teens or people who rarely use a cellular phone. Prepaid carriers sell phones to subscribers at full cost, but do not require a long term contract. A subscriber pays in advance for an allowance of voice, text, or data. They are then free to use those services until they run out, with no obligation to buy more until needed – even if they go months without use. Prepaid phones allow easy cost control without the hassle of monthly bills.

Postpaid prepaid combination Some carriers are now offering combined postpaid and prepaid service plans. Under this kind of plan, you can buy an unsubsidized phone at full price, and you can pay it off in installments along with monthly service charges. But you do not have a contract and are not charged for exceeding data allowances (your data connection slows down until the end of the monthly service period instead).

This may be a good option for people who like to upgrade their phones frequently, since the cost of the phone is kept separate from the service plan.

Cancellation

Most carriers require a subscriber to provide 30 days’ notice (or one billing cycle) to cancel a service plan. This means that if you are billed on the first day of every month, but cancel on the fifth, you may still have to pay for the rest of that month before the plan is cancelled – and possibly an early termination fee if you were still on contract. Many carriers allow you to return a phone within two or three weeks if you are not satisfied with the service, but be certain to ask first.

Billing

Always check your monthly bills, especially if you set them up to be paid automatically. If a company other than your carrier adds unauthorized charges to your phone bill, contact both your carrier and the company to ask to cancel the service and to ask for a refund if you have already paid.

Signing up for automatic billing withdrawal from a bank account may give authorization to the provider to deduct funds from the bank account based on what the provider bill states. Some providers make automatic bill payments a condition of their lowest cost plans.

Buying a new phone can be exciting and confusing, making it easy to be pressured into a quick decision. Take your time to shop around and figure out which

carrier, phone, and plan is right for you.

For more information or to file a complaint, visit our website or contact the Bureau of Consumer Protection.

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Questions to ask before you sign a new phone contract

It is important to have all the information available before making a decision on a new phone.

Consider these questions before you sign a contract or put any money down:

- **How strong is voice and data coverage where you will be using the phone the most?**
- **Can you add a line to an existing family account?**
 - Is data sharing an option?
- **Text/data – how much will you use?** Check different carriers and their rates.
 - Will your carrier alert you if you are about to exceed your text/data limits?
 - How often will you be able to use Wi-Fi Internet on your phone instead of cellular data?
 - Will your carrier let you track how much data or voice minutes you are using?
 - What is your carrier's refund policy for unauthorized billing of "digital goods" (apps, music, ringtones etc.)?
- **How long is the contract, trial period and are there early termination fees?**
- **Is it worth buying a protection plan?**
 - What exactly does the protection plan cover?
 - ♦ Theft, damage, battery replacement, ...
 - How much would it cost over a 2 year contract?
 - ♦ Is that reasonable compared to the cost of the phone?
 - Does the phone manufacturer or carrier provide a warranty?
- **Which phone is right for you?**
 - If it is for a child, consider your ability to set content or app restrictions, or to monitor your child's location or activities.
 - Visit **reboot.fcc.gov/parents**. This is a resource for parents that provide tips and articles on keeping kids safe – for example, online safety, inappropriate content blocks, and ways to stop distracted driving.