What is a CONSUMER? A consumer is anyone who uses and buys things. We eat food, wear clothes, drive cars, do the laundry, shop at the grocery store and the Mall, buy books, supplies, and toys. There are laws to protect you from bad products and salesmen who would cheat you. These are called CONSUMER PROTECTION LAWS. This unit tells you some of the ways you can make good decisions when buying things. It will help you spend your money wisely.
Vocabulary

**Application** – a request or form you fill out with personal information and sign. *You can fill out an application to request your credit records.*

**Bankruptcy** - a legal order that says you are not able to pay your debts. *In a bankruptcy, the property of a business goes to the people who are owed money.*

**Claim** - a demand for something as your right. *He is going to file a claim for the unpaid part of the contract.*

**Collateral**- something of value promised as security for a loan. *The deed to a piece of land may be used as collateral for a loan from the bank.*

**Consumer** - a person who buys and uses things. *You are being a consumer when you buy groceries.*

**Credit** - trust in a person to pay a debt later. *If I buy the furniture on credit, I will make monthly payments for 2 years.*

**Creditor** - the person or business to whom a debt is owed. *When you get a car loan from the bank, the bank is your creditor.*

**Defect** - something that is wrong with a product. *A car door that does not close may have a defect.*

**Defective** - not perfect or complete. *A fire may be caused by defective electrical wiring.*
Dispute - an argument or quarrel/a difference of opinion. A judge had to settle the dispute between the neighbors over use of the driveway.

Finance charges - cost of borrowing money to pay for something. The amount of the finance charge is based on the total amount of money needed for the item you intend to buy.

Fraud - to trick someone in order to cheat. There are laws against fraud in business.

Guarantee - (1) a promise that a product is perfect and complete. The toaster comes with a guarantee from the maker that it will work for a year. (2) to give a promise. The company guarantees all its air conditioners to be in good working order.

Installment - part of the total amount of money that is owed and is paid at specific times. The car insurance bill can be paid in four installments a year - in January, April, July, and October.

Interest - the fee charged to borrow money. There is a law that limits the amount of interest on credit card charges.

Judgment - a legal decision made by a court of law. The jury approved a judgment to award $5,000.00 for damage to the house.

Security - something given to make sure an agreement will be met. I gave the pawnbroker a gold watch as security for a loan.

Warranty - a promise that something is what it is claimed to be, or it will be replaced or repaired. The warranty says that all the parts of the rebuilt engine are new.
Benefit - Writing down all the terms of the contract will benefit both parties.

Contract - Read the contract carefully before you sign it.

Debt - Paying your debts on time gives you a good credit rating.

False - It is against the law to make a false claim that a product is new when it is used.

Federal - Federal laws protect consumers in every state.

Marital Status - Your marital status is either single, married, divorced, or widowed.

Protection - Each state has an agency for protection of consumers so buyers will not be cheated out of their money.

Repayment - repayment of your loan according to its terms will help you keep a good credit rating.

Terms - Monthly payments, length of time to repay, interest, and fees are all the terms of a contract.

Valid - A valid contract is in force when it is properly signed by both parties.

Consumer Protection Laws

You are a consumer when you buy and use things. There are federal and state laws that protect you from defective products and dealers who would cheat you. These laws are called CONSUMER PROTECTION LAWS. Some of these laws that protect you are given here.
TRUTH IN LENDING. This law is about loans you get to buy things. You must be told the interest or fee charged for borrowing money or credit. You must be told the length of time you have for repayment of the loan. You must be told the terms of the contract. You have 3 days to cancel any credit sales which take place at your home, like a salesman who comes to your house with products.

FEDERAL TRADE COMMISSION DOOR-TO-DOOR RULE. This rule applies to cash and credit sales of $25.00 or more which take place away for the seller's place of business. This means companies and salesman who come to your door selling services or products. This might be services like home remodeling, roof repair, or foundation repair. Be very careful before you buy anything or hire someone. Call the Better Business Bureau about the company. If you sign a contract for purchase of products or services, you have the right to cancel within 3 days. The contract you sign must state that you have the right to cancel in bold-faced print.

UNSOLICITED CREDIT CARDS. It is a law that you have to apply for a credit card yourself. A credit card company cannot issue a card to you if you did not ask for it.

FAIR CREDIT REPORTING ACT. Credit reporting agencies must let you know what is in your credit records. You have the right to dispute information in the records if you think the information is wrong. Credit agencies must investigate any disputed information. They must change their records if the information is wrong. They must tell you the reason if they turn you down for credit.

EQUAL CREDIT OPPORTUNITY ACT. Credit cannot be denied on the basis of sex or marital status. A business that grants credit cannot require the signature of a spouse on a credit application. The only time that a husband and wife must sign a credit application together is for a valid lien - which is a legal claim on property.
DECEPTIVE TRADE PRACTICES ACT. You are protected from false advertising. Products must be marked to show where they come from. Advertising cannot say that a product has the approval of the government or a business or organization if it does not. A company cannot say that goods and services have benefits they do not have. You are protected from defective products. This means that products have to work properly. If it says that products are new, they cannot be used or re-made. The TRADE PRACTICES ACTS offer strong protection against a company's failure to honor warranties on its products.

BETTER BUSINESS BUREAU. This is a local agency that is located in many cities. The Bureau keeps records of complaints about businesses and companies in your area. You can call and ask if a company you are thinking of doing business with has any complaints against it. If you are cheated by a company, or work is not completed, or you have other problems, call and leave a complaint with the Bureau. You will be helping other people not to be victims of deceptive trade practices. The Better Business Bureau is listed in the telephone book.

Contracts

A contract is an agreement between two or more people who each receive some benefit. This is a list of contracts you may have someday.

- Employment Contract
- Loan for education
- Loan to buy a car
- Loan to buy a large item like furniture
- Installment purchase
- Apartment rental
- Insurance policy
  - Marriage
- Medical care
It may seem surprising, but not all these contracts are in writing. They can be VERBAL CONTRACTS. People can agree to the terms and that makes it a contract. However, any purchase of an item that costs more than $500.00, or purchase of land, must be in writing. A good reason for a written contract is protection of the consumer. The terms you agree on with the other person are written down. This guards you against someone else's lies. Sometimes people forget the terms of their agreement.

Some words in contracts are legal and confusing. **IT IS IMPORTANT TO FOLLOW THE LIST BELOW WHEN YOU GET READY TO SIGN A CONTRACT.**

1. Read the contract carefully before you sign it.
2. Be sure you understand what you are agreeing to do.
3. Ask questions about anything you do not understand.
4. Be sure the price, interest and rate, and monthly payments are written in the contract.
5. Do not sign a contract if it has any blank spaces.
6. Fill in the blanks, or cross them out and sign your initials.
7. If the salesman promises something like free installation be sure it is written in the contract.
8. Do not sign a contract if someone asks you to sign it before you read it.
9. Do not let sales people pressure you to buy or to hurry.
10. Do not assume that a salesperson is honest just because he is overly friendly.
11. Be sure you get a complete signed copy of the contract.
12. **KEEP IT.**
Once you sign a contract, you must follow the terms. If you miss payments, or do not follow the terms of the contract, you can be sued. A claim can be made against you. You will be required to appear in court. The judge and jury will decide what the facts are. If you lose the case, a judgment will be made against you. A judgment is a sum of money you will have to pay.

### When You Have A Lot of Debts

Sometimes people have problems managing money. If you lose your job, become too sick to work, or do not receive court-ordered support payments, you can have trouble paying your bills. Maybe you owe more money than you can pay. You will have to make careful plans to solve this problem. Contact your creditors as soon as possible about your problems in paying your bills. Most creditors will work with you when they have been notified of your problems. Ask the creditor to refinance or to change the agreement. Try to work out an agreement with your creditors to pay your debts over a period of time. Try not to take out a new loan to cover your old debts. This is called consolidation. You will see ads for easy bankruptcy filing and consolidation of loans. Try not to solve your problems this way. It can end up costing you more money. It can hurt your credit record.

There may be an agency in your area that offers counseling on paying bills and debts. The [NATIONAL FOUNDATION FOR CONSUMER CREDIT](#) is a non-profit organization founded to help people. There are branches of this nation-wide service in cities and towns in every state. These branches are called [CONSUMER CREDIT COUNSELING SERVICE](#). The Consumer Credit Counseling Service offers help in 4 ways: counseling, budgeting, debt management, and education. Under their plan your creditors will be contacted. You will make a payment to the agency. Payments from this amount will be made to your creditors. You can learn from the debt management program how to better manage your money. Look in your telephone book for the Consumer Credit Counseling Service or a community sponsored agency like it. Their services are free or low cost.
Sometimes your creditors will turn your debts over to a collection agency. Collection agencies are very aggressive in contacting you about the bills you owe. State and federal laws regulate debt collection agencies. The **FAIR DEBT COLLECTION ACT** regulates collection agencies. They are not supposed to threaten that you will be arrested or put in jail. They are not supposed to phone you at work. You can stop them from calling you at work by sending them a letter giving them your home phone and the hours they can call you at home. If they continue to call you at work, call the Attorney General's Office. They can only call you at home at reasonable hours. If they call at all hours of the day and night, you can report them to the Attorney General's office. They cannot call your relatives or neighbors. A collector is not allowed to talk about your debt amount with anyone but you.

Creditors can repossess items you owe on, like a car or furniture. Your wages and home cannot be taken by a debt collector. SSI payments can only be taken for payment of court ordered child support. This means child support money is taken out of your pay before you get the money.

**Bankruptcy**

Bankruptcy is a choice some people consider when they have more bills than they can pay. It is important to know that bankruptcy is not a good choice to make. Bankruptcy is a complicated court proceeding. The result of bankruptcy is that most debts are canceled. Your property will go to pay your creditors. Some debts that will not be canceled are below.
1. Debts obtained by fraud.
2. Taxes.
3. Debts that were not reported to the bankruptcy court.
4. Debts for intentional injury to people or property.
5. Education loans.
6. Child support.

Bankruptcy has a bad effect on your credit rating. It will be harder for you to get a loan in the future.

It is important to have a good credit rating. Credit is a loan of money to pay for something that must be paid for over a period of time, like a TV, car, or furniture. If you want to pay for something in installments, it is important to have a good credit rating so you can get a loan.

To get credit, the main concern is your ability to repay the loan. This ability is called your credit rating. Having a steady job is one way to show you have the ability to repay debt. You can buy an item and pay in installments. This gives you a record that shows you made payments on time. You can have a savings account. Another way to show you have the ability to repay a debt is to have a credit card.
You will be asked to have collateral to use as security for a loan. Collateral is anything which has value that can be given as a promise that the loan will be repaid. This shows you have something with a value at least equal to the amount of the loan. The collateral will be used to pay back the debt if you are unable to make the payments. Be sure you understand the finance charges and credit costs. These are set by state law. Everyone has an equal right to credit. You cannot be refused credit because of your race, sex, color, religion, national origin, marital status, or age, unless you are under 18.

When you make an application for credit, your credit record will be checked by a credit reporting agency. Businesses that give loans will call a credit reporting agency to get your credit record. The agencies will have a record of loans and employment on you for the past 5 years. Credit agencies keep records on when you paid your bills.

If you are turned down for credit, you have a right to know why. Knowing why you were turned down will help you make a better credit record in the future. Ask the credit reporting agency for your record. You may have to pay a fee. The credit reporting agency must make corrections in your record if the information they have is wrong. Sometimes there are mistakes on your record. Sometimes another person's records will be on your record because your names are alike.
A warranty is a promise about an item you buy. It may say that the item is in good condition. It may say that defects will be repaired at no charge or be replaced. It may say that you can return it if not satisfied. For example, a warranty on a TV set may say this television is guaranteed to work for one year. This is the kind of warranty that might be enclosed in a product you buy.

This is the kind of warranty that might be enclosed in a product you buy.

**MANUFACTURERS 12 MONTH LIMITED WARRANTY:** TAYLOR COMPANY Hair Dryer

Carries a warranty for one year against defective workmanship and/or material when used for the purpose intended under normal conditions, and provided they receive proper care. Any item found defective will be replaced or adjustment made, provided TAYLOR is notified promptly upon discovery of the defect. Return defective merchandise to TAYLOR COMPANY, 11416 West Bridge Road, Stone Oak Ridge, MD 20613 with $1.00 (one dollar) for postage and handling.

The warranty may say you have the right to have defects fixed at no charge. The warranty will usually have a time limit. If you try several times to have the item fixed and it still does not work, you have the right to cancel the purchase and return it to the dealer.

Every state has special laws that protect motor vehicle buyers. This is called the "Lemon law." The Lemon law is to protect you from buying a new motor vehicle such as a car, truck, motorcycle, van or RV, that is defective.

The Lemon law may vary from state to state. In general, this is how it will work.

1. If your new vehicle needs repairs for the same problem 2 or more times in the first year you own it;

2. If it is still not fixed;

3. If your new vehicle has been in the shop or garage for more than 30 days in the first year.
This is what to do:

1. Get a written statement of the defect.
2. Save all receipts, repair orders, letters and records of telephone calls.
3. Write a letter of complaint to the dealer, manufacturer, and the State Motor Vehicle Commission. Include copies of all your records.
4. Do this within the first year you own the vehicle.

If it is found that you have a defective vehicle - a "lemon," - the law provides that one of the following things will be done:

1. Refund: of the purchase price by the manufacturer;
2. Replacement: of the defective vehicle by the manufacturer;
3. Repair: by the manufacturer of the defects in the vehicle;
4. Repayment: of some expenses such as towing charges, rental car fees, telephone calls, costs of breakdown, and others.

The limit on the Lemon law is one year. Be sure to get and keep all records when you buy a motor vehicle. It is important that you file a complaint as soon as you see there is a problem repairing your vehicle.

If you buy something that is marked "AS IS," there is no warranty on it. Used cars are marked with "AS IS-NO WARRANTY."

The dealer/seller of any product is required to give you a copy of the warranty. Keep your warranties and sales receipts in a safe place.
This is an example of a dealer's warranty for a car purchase. Everything that is covered is clearly stated on both sides of the warranty. You should read these very carefully.
Below is a list of some major defects that may occur in used motor vehicles.

<table>
<thead>
<tr>
<th>Frame &amp; Body</th>
<th>Brake System</th>
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</thead>
<tbody>
<tr>
<td>Frame-cracks, corrective welds, or rusted through</td>
<td>Failure warning light broken</td>
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<tr>
<td>Dog tracks—bent or twisted frame</td>
<td>Pedal not firm under pressure (DOT spec.)</td>
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<td></td>
<td>Not enough pedal reserve (DOT spec.)</td>
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<td></td>
<td>Does not stop vehicle in straight line (DOT spec.)</td>
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<td></td>
<td>Hoses damaged</td>
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<td></td>
<td>Drum or rotor too thin (Mrgr. Spec)</td>
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<td></td>
<td>Lining or pad thickness less than 1/32 inch</td>
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<td></td>
<td>Power unit not operating or leaking</td>
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<tr>
<td></td>
<td>Structural or mechanical parts damaged</td>
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<tr>
<td>Engine</td>
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<tr>
<td>Oil leakage, excluding normal seepage</td>
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<tr>
<td>Cracked block or head</td>
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<td>Belts missing or inoperable</td>
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<tr>
<td>Knockers or misse related to camshaft lifters and push rods</td>
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<tr>
<td>Abnormal exhaust discharge</td>
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<tr>
<td>Transmission &amp; Drive Shaft</td>
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<tr>
<td>Improper fluid level or leakage, excluding normal seepage</td>
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<tr>
<td>Cracked or damaged case which is visible</td>
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<tr>
<td>Abnormal noise or vibration caused by faulty transmission or drive shaft</td>
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<tr>
<td>Improper shifting or functioning in any gear</td>
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<tr>
<td>Manual clutch slips or chatter</td>
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<tr>
<td>Differential</td>
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<tr>
<td>Improper fluid level or leakage excluding normal seepage</td>
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<tr>
<td>Cracked of damaged housing which is visible</td>
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<tr>
<td>Abnormal noise or vibration caused by faulty differential</td>
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<tr>
<td>Cooling System</td>
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<tr>
<td>Leakage including radiator</td>
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<tr>
<td>Improperly functioning water pump</td>
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<tr>
<td>Electrical System</td>
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<tr>
<td>Battery leakage</td>
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<tr>
<td>Improperly functioning alternator, generator, battery, or starter</td>
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<tr>
<td>Fuel System</td>
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<tr>
<td>Visible leakage</td>
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<tr>
<td>Inoperable Accessories</td>
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<td>Gauges or warning devices</td>
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<tr>
<td>Air conditioner</td>
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<td>Heater &amp; Defroster</td>
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<tr>
<td>Tires</td>
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<tr>
<td>Tread depth less than 2/32 inch</td>
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<tr>
<td>Sizes mismatched</td>
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<tr>
<td>Visible damage</td>
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<td>Wheels</td>
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<tr>
<td>Visible cracks, damage or repairs</td>
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<tr>
<td>Mounting bolts loose or missing</td>
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<tr>
<td>Exhaust System</td>
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<tr>
<td>Leakage</td>
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</tbody>
</table>

DEALER

ADDRESS

SEE FOR COMPLAINTS

IMPORTANT: The information on this form is part of any contract to buy this vehicle. Removal of this label before consumer purchase (except for purpose of test-driving) is a violation of federal law (16 C.F.R. 455).