

LESSON PLAN

LESSON TITLE: Consumer Skills

INSTRUCTOR:

TEACHING METHOD: Informal Lecture and Discussion

INSTRUCTIONAL AIDS: Sample copy of contracts from local vendors, Overhead projector, Federal Trade Commission handouts, Consumer Reports Buying Guide, NADA Official Used Car Guide

CLASS TIME: 1 to 2 hours depending on class participation

LESSON OBJECTIVE: To provide participants with fundamental understanding of consumer skills and basic knowledge to make informed decisions. Upon completion of this seminar, participants should possess the skills or have a working knowledge of:

- the responsibilities and implications of contracts
- how to comparison shop when making purchases
- applicable consumer rights
- appropriate consumer protection laws
- how to identify various scams and deal with them

LESSON PLAN MAIN TOPICS

1. Understanding Contracts
2. Comparison Shopping
3. Fair Debt Collection Practices Act
4. Consumer Rights & Protection
5. Deceptive Marketing Techniques

LESSON OUTLINE

- A) INTRODUCTION

- B) SUBJECT MATTER
 - I. Understanding Contracts
 - A. Definition of a contract
 - B. Purpose of a contract
 - C. Canceling a contract
 - II. Comparison Shopping
 - III. Consumer Rights
 - A. Truth in Lending
 - B. Door to door sales
 - C. Transaction not covered by the FTC law
 - IV. Consumer Protection Laws
 - A. Fair Debt Collection Practices Act
 - B. Credit Cards
 - C. Co-signers Practices Rule
 - V. Marketing Scams
 - A. Deceptive Practices
 - B. Your Recourse
 - VII. Evaluation

- C) REVIEW

TEACHING PLAN

INTRODUCTION

ATTENTION:

MOTIVATION:

OVERVIEW: Main Topics

TRANSITION:

SUBJECT MATTER

- I. Understanding Contracts (**Display copy of contract on overhead projector and explain**)
 - A. Definition of a contract. An agreement that is binding on both the buyer and the seller.
 - B. Purpose of a contract. A contract protects both the buyer and the seller from fraud or deceit.
 - C. When properly signed most contracts cannot be canceled if the consumer later changes his or her mind. The consumer should clearly understand the details of the contract and the obligations involved before signing. However, there are a few types of transactions where consumers are especially vulnerable to fraud and deceit. To provide some type of protection, the Truth-In-Lending law provides for a “cooling off” or cancellation period under certain conditions. These include:

Contracts for home improvements that involve a second or later mortgage against the home

Door to door sales

Contracts for future services

Campground time, time-share and certain unseen real estate

Consumers need to remember it is much easier and safer to evaluate all alternatives before signing a contract than it is to get out of a contract after signing it. The possible negative impact on the individual's credit report can be devastating if the consumer fails to meet his or her obligations.

During the cooling off period either party may cancel the contract without penalty within 72 hours (three working days) after signing it by sending a written notice by registered

mail to the other party. The consumer must be provided the name and address where a cancellation notice can be sent.

II. **Comparison Shopping (Use Consumer Buying Guide / NADA Blue Book / Slides comparing finance costs)**

Comparison shopping not only relates to vehicles, appliances, etc., but also insurance, investing, and finance charges.

The first thing to consider is if you actually need the items? Once this determination is made you can continue.

Books such as 'Consumer Buying Guide' will give you a good indication of a products reliability.

Use of the NADA "Blue Book" when buying a vehicle should give a fair indication of the vehicle's value.

Reliability is the key word when dealing with any type of insurance. Insure your family and possessions are adequately covered.

Finance costs are among the most important considerations when making a major purchase. That is, a \$12,000 vehicle at 12% interest for 4 years will cost you \$316.00 per month and \$3,168.00 in interest. The same \$12,000.00 vehicle at 6.5% will cost you \$284.00 per month and only \$1,659.00 in interest. That is almost \$1,500 more for the same car.

III. **Consumer Rights (Distribute handouts from Federal Trade Commission FTC)**

A. Truth in Lending. You have the right to cancel any transaction that involves using your home as security for a loan, excluding a first mortgage. This is known as the "right of rescission." This right to cancel runs through the third business day until midnight after signing the contract. The creditor must return the deposit on down payment within 10 days.

B. Door to Door salesmen sometime use high pressure tactics to make a sale that the purchaser does not want, need, and often cannot afford. When the buyer has a chance to think things over, he may regret having made a purchase or a commitment to purchase.

Under the Federal Trade Commission rule at the time you purchase, rent, or lease consumer goods or services from a salesman at a place other than the seller's place of business, he or she must give you a copy of the sales contract or a receipt containing a notice concerning your right to cancel, as well as an attached form in duplicate fully explaining your rights.

You can use one copy of this form to cancel your purchase and keep one copy for your information. Again you have three business days in which to cancel your purchase. If the total price is \$25 or more you must cancel the purchase in writing. You must make available, at your home, the goods that have been delivered or you agree to comply with the seller's instructions regarding return shipment of goods at the seller's expense and risk. If the seller does not pick up the goods or make arrangements with you for their return to him within 20 business days after his receipt of your notice of cancellation, you may keep the goods. He must also refund any payment or item traded within 10 business days.

C. Certain transactions are not covered by the FTC's rule:

purchases made entirely by phone or mail without any other contact prior to delivery of the goods or performance of the services;

purchases made in relation to earlier negotiations at a retail sales or service store or office;

purchase of securities from a broker or dealer registered with the SEC, purchase of insurance, purchase of rental or real property, where the buyer initiated the contact and specifically requested the seller to visit his home for the purpose of repairing or performing maintenance upon the buyers personal property.

Replacement parts and labor necessary in performing such maintenance or in making repairs are excluded from the three day cooling off rule. However, if during such a visit the seller manages to sell the buyer additional services or goods, these additional services are subject to the rule.

IV. Consumer Protection Laws

A. Fair Debt Practice Act

The law was enacted in response to complaints by consumers of unfair debt collections practices. The purpose of the law, which is primarily enforced by the Federal Trade Commission, is to ensure that people are treated fairly by debt collectors. Debts covered are consumer (personal) debts, for example, for the purchase of a car, medical care and charge accounts.

The debt applies to any third party, an agency, or individual that collects on behalf of the creditor.

To acquire information about the whereabouts of the debtor, the debt collector cannot misrepresent himself as being a friend, family member or by some other means to deceptively obtain information. He must identify himself by name only, and if specifically asked he can identify his employer. The collector is prohibited from stating that money is owed, using post cards or any symbol on an envelope indicating a debt collection, and communicating more than once with a debtor unless reasonably necessary to verify what was previously asked. If the debtor is represented by an attorney all communication and contacts shall be with the attorney.

The collector is prohibited from:

Harassing, oppressing or abusing the debtor

Using false or misleading representation

Using unfair practices (for example, charging the debtor for collection costs unless charges are specifically authorized in the contract: calling collect, etc.)

The use of post dated checks are allowed only under certain conditions:

If a check is postdated by more than 5 days, the debt collector must notify the debtor in writing of the collector's intention to deposit the check, notification can be no more than 10 days before or less than 3 days before the deposit.

The collector shall not solicit a post dated check for the purpose of threatening or insisting criminal prosecution.

The collector cannot deposit or threaten to deposit the check before the date on the check.

The Act further requires a debt collector to notify the consumer in writing of the name of the creditor and amount of debt within 5 days of the initial contact. The consumer has 30 days to reply if the debt is disputed. If disputed, the collector must verify the debt and notify the consumer.

B. Credit Cards

Before selecting a credit card learn credit terms and conditions that apply. Each affects the overall cost of the credit you will be using. Be sure to consider and compare the following terms:

- Annual Percentage Rate
- Free or Grace Period
- Annual Fees
- Transaction Fees and other charges
- Balance computation method for the finance charges

Credit card protection

Prompt credit for payment; a credit card issuer must credit your account on the day the issuer receives your payment unless the payment is not made according to the creditor's requirements or the delay in crediting to your account does not result in a charge.

Refund of credit balances: When you return merchandise or pay more than you owe, you have the option of keeping the credit balance on your account or requesting a refund (if the amount exceeds \$1,000). To obtain a refund write the card issuer.

Errors on your bill: Notify the card issuer in writing 60 days after the first bill containing the error was mailed to you.

Unauthorized charges: if your credit card is used without your authorization you can be held liable for the actual amount charged, up to a maximum of \$50 per card. If you report the loss before the card is used you are not liable for any unauthorized charges.

Disputes about merchandise or services: If you have a problem with merchandise or services that you charged to a credit card and you have made a good faith effort to work out the problem with the seller you have the right to withhold from the card issuer payment for merchandise or services. You can withhold payment for the purchase, plus any finance related charges. If the card you use is a bank card, a travel or entertainment card or another card not issued by the seller of the defective merchandise you can withhold payment **ONLY** if the purchase exceeds \$50 and occurred in you home state or within 100 miles of your billing address.

C. FTC Credit Practice Rule Co-Signers

Co-signers frequently do not realize the legal obligations they are assuming. The FTC had adopted a rule that addresses this problem.

When you agree to be a co-signer for someone else's debt, you are guaranteeing to pay if that person fails to pay the debt. The rule requires that you be given notice that explains the responsibility you are undertaking. Under the rules the co-signer notice must say:

You are being asked to guarantee this debt. If the borrower does not apply to the debt, you will have to be sure you can afford to pay.

You may have to pay up to the full amount of the debt if the borrower does not pay the late fees on collection costs.

The creditor can collect this debt from you without first trying to collect from the borrower. The creditor can use the same collection method against you that can be used against the borrower, such as suing you, garnishing your wages, etc. If this debt is ever in default, that fact may become a part of your credit records.

V. Marketing Scams

A. Deceptive Practices

Car and home repairs, TV shopping, mail fraud, false advertising, dream sheets from life insurance companies, free dinners, free vacations, photo clubs, health clubs, tape/CD clubs, telephone solicitation, encyclopedia sales, instant winner contests, and other techniques too numerous to mention are costing the unsuspecting consumer millions of dollars daily: It is imperative that you know your rights:

B. Your Recourse

Unordered merchandise- Merchandise received through the mail that was not ordered or requested can be considered a gift. It can be used or disposed of in anyway that you wish. The sender of the unsolicited merchandise cannot mail a bill or try to collect for it.

Ordered merchandise must be shipped within the time specified on the advertisement if no shipping time is specified on the order it must be shipped within 30 days after the order is received.

Companies that cannot deliver within this time period must offer the customer the option of a refund or of waiting an additional period for delivery of merchandise. If no response is received from the customer it is assumed he/she is willing to wait.

A refund must be issued within seven days of a request for it.

If the purchase is charged to a credit card account the company has one billing cycle within which to remove the charge from the account if a refund or cancellation is requested. (A consumer should never pay for a credit charge for merchandise not yet received.)

If the mail-order problem appears to be fraudulent, contact the postal inspector or local postmaster. Carry all advertisements, envelopes, and other evidences relating to the communication with you. It is important for the post office to be informed of these schemes so action can be taken to stop them.

REVIEW AND SUMMATION

1. Review main points.
2. Answer any questions.
3. Distribute critiques.

Lesson plan by L. Thomas Snyder, Hurlburt Field, FL.

BIBLIOGRAPHY

Federal Trade Commission Pamphlets